

**REPORT OF THE AUDIT OF THE
HARDIN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HARDIN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

The Auditor of Public Accounts has completed the audit of the Hardin County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, based on our audit and the reports of the other auditors, of the financial statements of Hardin County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$252,867,670 as of June 30, 2009. The fiscal court had unrestricted net assets of \$13,353,880 in its governmental activities as of June 30, 2009, with total net assets of \$91,914,761. In its business-type activities, total net cash and cash equivalents were \$8,211,572 with total net assets of \$160,952,909. The fiscal court's discretely presented component unit had net assets of \$72,858 as of June 30, 2009. The discretely presented component unit had net cash and cash equivalents and investments of \$317,216. The fiscal court had total debt principal as of June 30, 2009, of \$40,842,312 with \$4,595,840 due within the next year.

Report Comment:

2009-01 Hardin County Fiscal Court Should Strengthen Internal Controls Over Monitoring Of OMB Circular A-133 Compliance Requirements -Activities Allowed/Allowable Costs

Deposits:

The fiscal court's deposits as of June 30, 2009 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$1,364

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Harry L. Berry, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hardin County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, which represents 87% and 96%, of total assets and revenues, respectively of the business-type opinion unit and the proprietary funds. We also did not audit the financial statements of the Hardin County Planning Commission, a discretely presented component unit, which represents 100% of the total assets and revenues, respectively of the aggregate discretely presented component opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hardin Memorial Hospital and the Hardin County Planning and Development Commission is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



To the People of Kentucky
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The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by generally accepted accounting principles in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated April 21, 2010, on our consideration of Hardin County, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs, included herein, which discusses the following report comment:

2009-01 Hardin County Fiscal Court Should Strengthen Internal Controls Over Monitoring Of OMB Circular A-133 Compliance Requirements - Activities Allowed/Allowable Costs

Respectively submitted,



Crit Luallen
Auditor of Public Accountants

April 21, 2010

HARDIN COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2009

Fiscal Court Members:

Harry L. Berry	County Judge/Executive
Bill Brandenburg	Commissioner
Garry King	Commissioner
Bill Hay	Commissioner

Other Elected Officials:

T. Steven Bland	County Attorney
Louis Lawson	Jailer
Kenny Tabb	County Clerk
Loretta Crady	Circuit Court Clerk
Charles Williams	Sheriff
Danny Hutcherson	Property Valuation Administrator
William Lee	Coroner

Appointed Personnel:

James E. Roberts	Deputy County Judge/Executive
Carolyn K. Ritchie	County Treasurer

**HARRY L. BERRY
HARDIN COUNTY JUDGE/EXECUTIVE
ELIZABETHTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

As financial management of the Hardin County Fiscal Court, we offer readers of these government-wide financial statements this narrative overview and analysis of the financial activities of the Fiscal Court for the fiscal year ended June 30, 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant financial issues and activities and to identify any significant changes in our financial position. We encourage readers to consider the information presented here in conjunction with the government-wide financial statements as a whole. Amounts have been rounded to the nearest hundred thousandth.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at June 30, 2009, by \$252.9 million. This amount includes \$152.1 million related to Hardin Memorial Hospital. Of this amount, \$69.6 million may be used to meet the government's ongoing obligations to its citizens and creditors; \$15 million is related to Hardin County Government and \$54.6 million is related to Hardin Memorial Hospital.
- The County's total net assets increased by \$1.2 million.
- At June 30, 2009, the County's governmental funds reported combined ending fund balances of \$14.6 million. Of this amount, \$13.7 million was available for spending at the government's discretion. Of the \$13.7 million, \$4.72 million was designated as Hospital Board Designated funds.
- At June 30, 2009, fund balance for the General Fund was \$10.2 million, which is approximately 70% of total General Fund annual expenditures. Of the \$10.2 million, \$5.5 million was undesignated and \$4.7 million was designated as Hospital Board Designated funds.
- The County's total long-term obligations at June 30, 2009, were \$41.3 million. Obligations related to Hardin County Government were \$20.4 million, the Glendale Industrial Property is \$10.6 million, and obligations related to Hardin Memorial Hospital were \$10.3 million.

Using This Annual Report

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basis of accounting. The County presents its financial statements in accordance with Generally Accepted Accounting Principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. The county records transactions in governmental funds under the modified accrual basis and in business type funds under the accrual basis.

**HARDIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009
(Continued)**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

Discretely presented component units, which are other governmental units over which the County can exercise influence and/or may be obligated to provide financial subsidy, are presented as a separate column of the government-wide financial statements. The focus of the statements is clearly on the primary government and the presentation allows the user to address the relative relationship with the component units. The County's discretely presented component unit issue separate audited financial statements which are available from the County Treasurer.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the County that are principally supported by taxes, license fees and permits, user charges and intergovernmental revenues (governmental activities) and business-type activities which rely on charges to users to support activities. The governmental activities of the County include general government, protection to persons and property, general health and sanitation, social services, recreation and culture, and the Hardin County Building Commission. The business-type activities of the County include solid waste operations, Hardin Memorial Hospital (a blended component unit), and the jail canteen fund. The county has one agency fund which is an inmate account fund at the Hardin County Detention Center. Fixed assets and related debt are also supported by the revenue sources mentioned above.

The government-wide financial statements can be found on pages 13-17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental, proprietary and fiduciary. The proprietary funds are the Solid Waste Fund, Hardin Memorial Hospital (a blended component unit), and the Jail Canteen Fund and an internal service fund for employee dental insurance. The county has one agency fund which is an inmate account fund at the Hardin County Detention Center. All other activities of the County are included in the governmental funds.

The basic fund financial statements can be found on pages 19-34 of this report.

HARDIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009
(Continued)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-68 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$252.9 million as of June 30, 2009.

The largest portion of the County's net assets reflects its investment in infrastructure and capital assets (e.g., land, buildings, vehicles, equipment, furniture and books, and construction in progress), less any related debt used to acquire those assets that is outstanding. The County uses these capital assets to provide services to its citizens and customers; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 15,063,119	\$ 16,359,123	\$ 88,799,419	\$ 85,651,279	\$ 103,862,538	\$ 102,010,402
Capital assets	95,446,206	98,496,549	124,659,413	123,809,010	220,105,619	222,305,559
Total Assets	110,509,325	114,855,672	213,458,832	209,460,289	323,968,157	324,315,961
Long-term liabilities	17,204,661	18,147,124	23,394,533	25,651,038	40,599,194	43,798,162
Other liabilities	1,389,903	1,474,700	29,111,390	27,335,144	30,501,293	28,809,844
Total Liabilities	18,594,564	19,621,824	52,505,923	52,986,182	71,100,487	72,608,006
Net Assets:						
Invested in capital assets, net of related debt	77,756,355	79,860,000	97,413,243	92,236,415	175,169,598	172,096,415
Restricted	804,526	804,526	7,321,726	6,924,330	8,126,252	7,728,856
Unrestricted	13,353,880	14,569,322	56,217,940	57,310,535	69,571,820	71,879,857
Total Net Assets	\$ 91,914,761	\$ 95,233,848	\$ 160,952,909	\$ 156,471,280	\$ 252,867,670	\$ 251,705,128

Governmental activity unrestricted net assets, the portion of net assets used to finance day-to-day governmental operations (without constraints established by debt covenants, enabling legislation or other legal requirements), comprise 14.5% of total governmental net assets. Restricted net assets, those restricted mainly for special purposes, comprise .9% of total governmental net assets. Investment in governmental capital assets comprises 84.6% of total governmental net assets.

HARDIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009
(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Business-type activity unrestricted net assets, the portion of net assets used to finance day-to-day operations (without constraints established by debt covenants, enabling legislation or other legal requirements), comprise 35% of total business-type net assets. Restricted net assets, those restricted mainly for capital projects and debt service comprise 4.5% of total business-type net assets. Investment in business-type capital assets comprises 60.5% of total business-type net assets.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
REVENUES:						
Program revenues:						
Charges for services	\$ 7,688,369	\$ 7,394,548	\$ 199,750,560	\$ 191,860,761	\$ 207,438,929	\$ 199,255,309
Operating grants and contributions	3,542,803	4,156,381	64,067	124,941	3,606,870	4,281,322
Capital grants and contributions	283,977	1,401,256	-	-	283,977	1,401,256
General revenues:						
Property taxes	5,385,747	5,196,235	-	-	5,385,747	5,196,235
Motor vehicle tax	581,913	635,426	-	-	581,913	635,426
Other taxes	812,512	867,622	132,254	-	944,766	867,622
Excess fees	859,360	925,279	-	-	859,360	925,279
Interest and investment earnings	301,111	692,023	2,238,985	3,333,297	2,540,096	4,025,320
Capital assets purchased by Sheriff	19,338	65,093	-	-	19,338	65,093
Donations	-	32,715	-	-	-	32,715
Unrealized Gains on Investments	-	-	166,907	-	166,907	-
Gain on Assets Traded-In	26,126	-	-	-	26,126	-
Miscellaneous	914,038	732,147	116,313	761,055	1,030,351	1,493,202
Total revenues	20,415,294	22,098,725	202,469,086	196,080,054	222,884,380	218,178,779
EXPENSES:						
Program Activities						
Primary Government:						
General government	6,287,169	6,318,995	-	-	6,287,169	6,318,995
Protection to persons and property	10,315,354	10,057,555	-	-	10,315,354	10,057,555
General health and sanitation	609,290	508,573	-	-	609,290	508,573
Social Services	141,850	216,687	-	-	141,850	216,687
Recreation and culture	1,031,298	1,463,013	-	-	1,031,298	1,463,013
Bus Service	100	-	-	-	100	-
Roads	4,246,009	5,696,983	-	-	4,246,009	5,696,983
Interest costs	251,406	356,284	-	-	251,406	356,284
Business-type Activities:						
Solid Waste	-	-	8,200,627	7,447,085	8,200,627	7,447,085
Hardin Memorial Hospital	-	-	190,235,443	184,202,224	190,235,443	184,202,224
Jail Canteen	-	-	398,571	359,957	398,571	359,957
Total expenses	22,882,476	24,618,090	198,834,641	192,009,266	221,717,117	216,627,356
Change in net assets before transfers	(2,467,182)	(2,519,365)	3,634,445	4,070,788	1,167,263	1,551,423
Transfers	(844,357)	1,663,388	844,357	(1,663,388)	-	-
Change in net assets	<u><u>\$ (3,311,539)</u></u>	<u><u>\$ (855,977)</u></u>	<u><u>\$ 4,478,802</u></u>	<u><u>\$ 2,407,400</u></u>	<u><u>\$ 1,167,263</u></u>	<u><u>\$ 1,551,423</u></u>

HARDIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009
(Continued)

Governmental Activities

General government comprises 27.5%, protection to persons and property comprises 45.1%, general health and sanitation comprises 2.7%, social services comprises .6%, recreation and culture comprises 4.5%, and roads comprises 18.6% of governmental program expenses for a total of 99% of general government expenses. Interest accounts for the remaining 1% of total governmental activities expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. The net cost shows the financial burden/benefit that was placed/received on/by the County's taxpayers by each of these functions.

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
General government	\$ 6,287,169	\$ 6,318,995	\$ (5,729,331)	\$ (5,259,998)
Protection to persons and property	10,315,354	10,057,555	(1,802,655)	(1,997,650)
General health and sanitation	609,290	508,573	(334,770)	(476,874)
Social Services	141,850	216,687	(103,715)	80,197
Recreation and culture	1,031,298	1,463,013	(929,055)	(1,360,275)
Bus Service	100	-	7,562	
Roads	4,246,009	5,696,983	(2,223,957)	(2,309,124)
Interest costs	251,406	356,284	(251,406)	(342,181)
Total expenses	\$ 22,882,476	\$ 24,618,090	\$ (11,367,327)	\$ (11,665,905)

Business-Type Activities

The business-type activities include the Solid Waste, Hardin Memorial Hospital, and Jail Canteen Fund operations. These activities had total revenues of \$202.5 million and expenses of \$198.8 million for fiscal year 2009. Of the revenues, \$199.8 million was charges for services, \$64 thousand was operating grants, \$132 thousand for other taxes, \$2.4 million was investment earnings, and \$116 thousand was miscellaneous. Transfers were made from the governmental activities to business-type activities in the amount of \$844 thousand. The County will continue to monitor the charges and costs of these activities and adjust them as appropriate.

**HARDIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009
(Continued)**

Business-Type Activities (Continued)

State and federal laws and regulations require Hardin County to place a final cover on its Municipal Solid Waste Landfill when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste. Total landfill closure and post-closure costs at June 30, 2009, are estimated at \$3,937,894 and \$855,000 based on the currently permitted landfill capacity. The current portion of estimated costs totals \$3,909,004. Actual costs may be higher due to inflation, changes in technology, or changes in applicable laws or regulations. Estimates are not adjusted for inflation. The projected date of closure for the current permitted space is September, 2029. The landfill expansion, pending final state approval, will add 23,000,000 cubic yards of airspace, thereby increasing the landfill's length of life by 115 years at the current disposal rate. No cost related to closure or post-closure has been incurred to date. In December 2000, the County began contributing \$62,500 per quarter to a landfill escrow account to be used at closure. This amount was changed to \$8,750 per quarter beginning July 1, 2009. The balance in the account at June 30, 2009 was \$2,466,429. This is the amount reflected as restricted net assets in the accompanying financial statements. As of January 16, 2009, approximately 48% of the landfill airspace had been used. The estimated remaining landfill life, without the pending expansion permit, is 20.65 years beyond January, 2009.

The County's Funds

Information about the County's major funds starts on page 19. All governmental funds had total revenues and other financing sources of \$25.8 million and expenditures and other financing uses of \$26.5 million. The County has three major governmental funds: 1) General Fund; 2) Road Fund; and 3) Jail Fund.

The General Fund is the chief operating fund of the County. At June 30, 2009, unreserved fund balance of the General Fund was \$10.2 million of which \$4.72 million was designated as Hospital Board Designated Funds. The fund balance of the County's General Fund decreased by \$298 thousand during the fiscal year.

The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had \$524 thousand in fund balance at June 30, 2009. Fiscal year 2009 expenditures for road projects were \$1.8 million. The Road Fund balance decreased by \$162 thousand during the fiscal year.

The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2009, of \$343 thousand. That is a decrease in fund balance of \$314 thousand over the previous fiscal year. The Jail Fund received \$3.8 million of intergovernmental revenue, primarily from charges to other entities for housing prisoners. The General Fund was required to contribute \$2.6 million to support jail operations. Additionally, the County used \$96 thousand of Hospital Board Designated Funds for jail operations and the jail canteen fund contributed \$100 thousand for jail operations. Also, Hardin Memorial Hospital provided \$84 thousand in charity care to inmates not reflected above.

HARDIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009
(Continued)

General Fund-Budget Highlights

The County's budget is prepared according to Kentucky law. The most significant budgeted fund is the General Fund. For the General Fund, revenues were budgeted at \$16.4 million with actual amounts of \$14 million. Budgeted expenditures of \$13.6 million compare with actual expenditures of \$10.1 million.

Capital Assets and Debt Administration

Capital Assets. At the end of fiscal year 2009 and 2008, the County had \$220.1 and \$222.3 million invested in a variety of capital assets, as reflected in the following table, and \$95.4 and \$98.5 million in governmental activities. Major capital asset additions during the fiscal year included additions to the vehicles, roads accepted into the system and emergency services equipment. Additional information on the County's capital assets can be found in Note 5 to the financial statements.

(Table 4)
Capital Assets at June 30, 2009 and 2008
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 19,245,203	\$ 19,245,203	\$ 10,784,030	\$ 10,784,030	\$ 30,029,233	\$ 30,029,233
Land improvements	-	-	3,087,241	2,016,524	3,087,241	2,016,524
Buildings	16,115,668	16,488,735	45,853,747	40,425,379	61,969,415	56,914,114
Landfill	-	-	19,068,492	20,061,548	19,068,492	20,061,548
Infrastructure	54,992,633	57,415,604	-	-	54,992,633	57,415,604
Equipment, furniture and books	3,158,338	3,458,878	-	-	3,158,338	3,458,878
Equipment	-	-	42,439,541	40,801,659	42,439,541	40,801,659
Vehicles	1,934,364	1,883,331	38,991	38,688	1,973,355	1,922,019
Total	95,446,206	98,491,751	121,272,042	114,127,828	216,718,248	212,619,579
Construction in progress	-	-	3,387,371	9,681,182	3,387,371	9,681,182
Total	\$ 95,446,206	\$ 98,491,751	\$ 124,659,413	\$ 123,809,010	\$ 220,105,619	\$ 222,300,761

The following reconciliation summarizes the change in Capital Assets for the years ended June 30, 2008 and June 30, 2009:

(Table 5)
Change in Capital Assets
Years Ended June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Beginning balance	\$ 98,491,751	\$ 101,013,011	\$ 123,809,010	\$ 116,871,977	\$ 222,300,761	\$ 217,884,988
Additions	1,799,239	2,238,690	26,636,133	24,257,854	28,435,372	26,496,544
Retirements/Transfers	(230,861)	(84,988)	(12,652,035)	(4,464,227)	(12,882,896)	(4,549,215)
Depreciation	(4,613,923)	(4,674,962)	(13,133,695)	(12,856,594)	(17,747,618)	(17,531,556)
Ending balance	\$ 95,446,206	\$ 98,491,751	\$ 124,659,413	\$ 123,809,010	\$ 220,105,619	\$ 222,300,761

**HARDIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009
(Continued)**

Capital Assets and Debt Administration (Continued)

At June 30, 2009 and 2008, the County had \$40.5 million and \$44.8 million in bonds and notes outstanding (net of amortized discount and deferred amount on refunding of \$826 and \$995 thousand). A total of \$4.6 million is dues within one year. Additional information on the County's long-term liabilities can be found in Note 7 to the financial statements.

**(Table 6)
Long-term Obligations
as of June 30, 2009 and 2008**

	2009	2008
Governmental Activities:		
Bonds	\$ 5,685,000	\$ 6,285,000
Notes (Glendale land)	10,639,585	10,639,585
Financing obligations	1,365,266	1,711,964
Sub-total	17,689,851	18,636,549
Business-type Activities:		
Solid Waste Fund	13,330,450	15,330,400
Hardin Memorial Hospital	9,822,011	11,800,000
Less: unamortized bond discount	(73,124)	(179,947)
Less: deferred amount on refunding	(305,150)	(815,208)
Sub-total	22,774,187	26,135,245
Total	\$ 40,464,038	\$ 44,771,794

Other matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2010 fiscal year budget:

- The 2010 fiscal year adopted budget continued all services at previous levels with the exception of projects which have been completed or are nearing completion.
- Program cuts at the State or Federal level, particularly relating to the cost of housing prisoners, continue to have a negative impact on future funding for County programs. The County may decide to alter operations or funding of County operations impacted by State funding shortfalls for detention center operations.
- Fiscal Court will continue to monitor the landfill tonnage shortfall. It is anticipated tonnage will increase due to our recent permit modification from the State to be able to receive waste from all 120 counties.
- Fiscal Court increased the amount of support provided to Hardin County Planning and Development Commission until expected permit revenue increases due to BRAC activity.

Requests for Information:

This financial report is designed to provide a general overview of Hardin County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Hardin County Treasurer, P.O. Box 568, Elizabethtown, Kentucky 42702-0568, (270) 765-4491.

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**HARDIN COUNTY
STATEMENT OF NET ASSETS**

June 30, 2009

**HARDIN COUNTY
STATEMENT OF NET ASSETS**

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hardin County Planning and Development Commission
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 9,333,069	\$ 8,211,572	\$ 17,544,641	\$ 76,739
Restricted Cash	10,519	19,295	29,814	92,462
Prepays	6,338		6,338	
Assets Whose Use is Limited		1,931,250	1,931,250	
Accounts Receivable	2,207,768	1,079,764	3,287,532	
Patient Accounts Receivable, Net of Estimated Uncollectibles of \$7,617,524		20,313,497	20,313,497	
Inventories	52,897	4,410,710	4,463,607	
Other		1,487,610	1,487,610	
Restricted Investments				117,546
Investments	3,452,528		3,452,528	30,469
Total Current Assets	15,063,119	37,453,698	52,516,817	317,216
Noncurrent Assets:				
Restricted Cash and Cash Equivalents		2,466,429	2,466,429	
Assets Whose Use is Limited		48,533,972	48,533,972	
Other		345,320	345,320	
Capital Assets - Net of Accumulated Depreciation				
Land	19,245,203	10,784,030	30,029,233	
Construction in Progress		3,387,371	3,387,371	
Land Improvements		3,087,241	3,087,241	
Buildings and Improvements	16,115,668	45,853,747	61,969,415	
Landfill		19,068,492	19,068,492	
Equipment, Furniture, and Books	3,158,338	42,439,541	45,597,879	
Vehicles	1,934,364	38,991	1,973,355	
Infrastructure	54,992,633		54,992,633	
Total Noncurrent Assets	95,446,206	176,005,134	271,451,340	-
Total Assets	\$ 110,509,325	\$ 213,458,832	\$ 323,968,157	\$ 317,216

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
STATEMENT OF NET ASSETS
June 30, 2009
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hardin County Planning and Development Commission
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 195,777	\$ 6,296,955	\$ 6,492,732	\$ 1,427
Accrued Liabilities	189,980	14,918,459	15,108,439	17,418
Estimated Third-Party Payor Settlements		3,993,680	3,993,680	
Accrued Interest Payable	19,701	281,396	301,097	
Unearned Revenue				191,008
Letters of Credit				19,000
Compensated Absences	9,505		9,505	15,505
Bonds	615,000	3,055,000	3,670,000	
Financing Obligations	359,940	565,900	925,840	
Total Current Liabilities	1,389,903	29,111,390	30,501,293	244,358
Noncurrent Liabilities:				
Bonds	5,070,000	17,827,011	22,897,011	
Less: Unamortized Discount and Expense		(73,124)	(73,124)	
Less: Deferred Amount on Refunding		(305,150)	(305,150)	
Notes Payable	10,639,585		10,639,585	
Landfill Closure and Postclosure		3,909,004	3,909,004	
Methane Gas Project		332,242	332,242	
Compensated Absences	489,750		489,750	
Financing Obligations	1,005,326	1,704,550	2,709,876	
Total Noncurrent Liabilities	17,204,661	23,394,533	40,599,194	-
Total Liabilities	18,594,564	52,505,923	71,100,487	244,358
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	77,756,355	97,413,243	175,169,598	
Restricted for:				
Debt Service		4,655,059	4,655,059	
Permanent Funds - Nonexpendable	804,526		804,526	
Landfill Closure and Postclosure		2,466,429	2,466,429	
Employee Support Program		22,745	22,745	
Hardin Memorial Hospital Foundation		177,493	177,493	
Unrestricted	13,353,880	56,217,940	69,571,820	72,858
Total Net Assets	\$ 91,914,761	\$ 160,952,909	\$ 252,867,670	\$ 72,858

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2009

**HARDIN COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Program Revenues Received			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 6,287,169	\$ 262,425	\$ 295,413	
Protection to Persons and Property	10,315,354	7,369,859	1,142,840	
General Health and Sanitation	609,290	24,520		250,000
Social Services	141,850		38,135	
Recreation and Culture	1,031,298	28,001	74,242	
Bus Service	100		7,662	
Roads	4,246,009	3,564	1,984,511	33,977
Interest on Long-term Debt	251,406			
Total Governmental Activities	22,882,476	7,688,369	3,542,803	283,977
Business-type Activities:				
Solid Waste	8,200,627	6,887,033	64,067	
Hardin Memorial Hospital	190,235,443	192,441,041		
Jail Canteen	398,571	422,486		
Total Business-type Activities	198,834,641	199,750,560	64,067	-
Total	<u>\$ 221,717,117</u>	<u>\$ 207,438,929</u>	<u>\$ 3,606,870</u>	<u>\$ 283,977</u>
Component Unit:				
Hardin County Planning & Development	<u>\$ 501,301</u>	<u>\$ 219,678</u>	<u>\$ 250,000</u>	

General Revenues and Transfers:

Taxes:

Real Property Taxes

Tangible Personal Property Taxes

Motor Vehicle Property Taxes

Other Taxes

Excess Fees

Interest and Investment Earnings

Noncapital Contributions

Donated Asset by Sheriff

Unrealized Gains on Investments

Gain on Assets Traded-In

Miscellaneous

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business- Type Activities	Total	Hardin County Planning and Development Commission
\$ (5,729,331)	\$	\$ (5,729,331)	\$
(1,802,655)		(1,802,655)	
(334,770)		(334,770)	
(103,715)		(103,715)	
(929,055)		(929,055)	
7,562		7,562	
(2,223,957)		(2,223,957)	
(251,406)		(251,406)	
(11,367,327)	-	(11,367,327)	-
	(1,249,527)	(1,249,527)	
	2,205,598	2,205,598	
	23,915	23,915	
-	979,986	979,986	-
(11,367,327)	979,986	(10,387,341)	-
			\$ (31,623)
4,938,110		4,938,110	
447,637		447,637	
581,913		581,913	
812,512	132,254	944,766	
859,360		859,360	
301,111	2,238,985	2,540,096	8,479
	114,696	114,696	
19,338		19,338	
	166,907	166,907	
26,126		26,126	
914,038	1,617	915,655	2,204
(844,357)	844,357	-	
8,055,788	3,498,816	11,554,604	(20,940)
(3,311,539)	4,478,802	1,167,263	(20,940)
95,226,300	156,474,107	251,700,407	93,798
\$ 91,914,761	\$ 160,952,909	\$ 252,867,670	\$ 72,858

The accompanying notes are an integral part of the financial statements.

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HARDIN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

HARDIN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 8,845,280	\$ 226,588	\$ 217,707	\$ 43,494	\$ 9,333,069
Accounts Receivable	1,464,769	291,250	316,695	14,267	2,086,981
Prepays				6,338	6,338
Inventories		52,897			52,897
Investments				3,452,528	3,452,528
Total Assets	<u>\$ 10,310,049</u>	<u>\$ 570,735</u>	<u>\$ 534,402</u>	<u>\$ 3,516,627</u>	<u>\$ 14,931,813</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 25,432	\$ 26,681	\$ 124,922	\$ 9,364	\$ 186,399
Accrued Liabilities	97,611	20,198	66,754	5,417	189,980
Total Liabilities	<u>123,043</u>	<u>46,879</u>	<u>191,676</u>	<u>14,781</u>	<u>376,379</u>
Fund Balances:					
Reserved for Permanent Funds				804,526	804,526
Reserved for Inventory		52,897			52,897
Unreserved:					
Designated - Hospital Board Designated Funds	4,716,090				4,716,090
Undesignated, Reported in:					
General Fund	5,470,916				5,470,916
Special Revenue Funds		470,959	342,726	49,318	863,003
Debt Service Funds					-
Permanent Funds				2,648,002	2,648,002
Total Fund Balances	<u>10,187,006</u>	<u>523,856</u>	<u>342,726</u>	<u>3,501,846</u>	<u>14,555,434</u>
Total Liabilities and Fund Balances	<u>\$ 10,310,049</u>	<u>\$ 570,735</u>	<u>\$ 534,402</u>	<u>\$ 3,516,627</u>	<u>\$ 14,931,813</u>

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009
(Continued)

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets:**

Total Fund Balances	\$ 14,555,434
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	149,583,340
Accumulated Depreciation	(54,137,134)
Internal Service Fund Is Used By Management to Charge the Cost of Health Insurance to Individual Funds. The Net Assets Are Included in Governmental Activities on the Statement of Net Assets	1,141
Long-term Liabilities Are Not Due And Payable In The Current Period And, Therefore, Are Not Reported In The Funds.	
Bonds	(5,685,000)
Financing Obligations	(1,365,266)
Notes Payable	(10,639,585)
Compensated Absences	(499,255)
Accrued Interest Payable	(19,701)
Certain Receivables Are Not Available To Pay Current Expenditures And Are Not Recorded In The Funds. The Receivables Are Listed Below.	
Ambulance Receivable	<u>120,787</u>
Net Assets Of Governmental Activities	<u><u>\$ 91,914,761</u></u>

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2009

HARDIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2009

				Non-Major	Total
	General	Road	Jail	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Taxes	\$ 6,731,209	\$	\$	\$	\$ 6,731,209
Excess Fees	859,360				859,360
Licenses and Permits	196,848	9,380			206,228
Intergovernmental	980,071	1,888,719	3,803,298	275,864	6,947,952
Charges for Services	4,606,049	3,564	192,542	28,002	4,830,157
Interest	72,352	9,282	4,131	215,346	301,111
Miscellaneous Revenue	622,838	89,796	212,726	18,170	943,530
Total Revenues	14,068,727	2,000,741	4,212,697	537,382	20,819,547
EXPENDITURES					
General Government	3,261,316	8,030		5,717	3,275,063
Protection to Persons and Property	5,417,051		4,615,951	111,995	10,144,997
General Health and Sanitation	576,418				576,418
Social Services	141,850				141,850
Recreation and Culture	237,750			809,406	1,047,156
Bus Service	100				100
Roads		1,823,690		204,425	2,028,115
Debt Service				860,406	860,406
Administration	516,485	418,348	1,703,741		2,638,574
Total Expenditures	10,150,970	2,250,068	6,319,692	1,991,949	20,712,679
Excess (Deficiency) of Revenues Over					
Expenditures Before Other					
Financing Sources (Uses)	3,917,757	(249,327)	(2,106,995)	(1,454,567)	106,868
Other Financing Sources (Uses)					
Transfers In	453,470	87,740	2,741,643	1,677,654	4,960,507
Transfers Out	(4,669,007)		(948,769)	(187,088)	(5,804,864)
Total Other Financing Sources (Uses)	(4,215,537)	87,740	1,792,874	1,490,566	(844,357)
Net Change in Fund Balances	(297,780)	(161,587)	(314,121)	35,999	(737,489)
Fund Balances - Beginning (Restated)	10,484,786	685,443	656,847	3,465,847	15,292,923
Fund Balances - Ending	\$ 10,187,006	\$ 523,856	\$ 342,726	\$ 3,501,846	\$ 14,555,434

The accompanying notes are an integral part of the financial statements.

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**HARDIN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2009

HARDIN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (737,489)
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities, The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	1,779,901
Capital Asset Purchased by Sheriff	19,338
Depreciation Expense	(4,613,923)
Book Value Of Capital Assets Disposed	(230,861)
The Issuance Of Long-term Debt (e.g. Financing Obligations) Provides Current Financial Resources To Governmental Funds While Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets.	
Bond Principal Payments	600,000
Financing Obligations Principal Payments	346,698
Generally, Expenditures Recognized In The Fund Financial Statement Are Limited To Only Those That Use Current Financial Resources, However, they either increase (decrease) assets reported on the Statement of Net Assets or increase (decrease) long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.	(23,798)
Internal Service Funds are used by management to charge cost of health insurance to individual funds. The net revenues (expenses) are reported with governmental activities.	(1,688)
Revenues In The Statement Of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues In The Funds.	(449,717)
Change In Net Assets of Governmental Activities	<u>\$ (3,311,539)</u>

The accompanying notes are an integral part of the financial statements.

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HARDIN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2009

HARDIN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2009

	Business-Type Activities -				
	Enterprise Funds				
					Governmental
	Solid	Hardin	Jail		Activities -
	Waste	Memorial	Canteen		Internal Service
	Fund	Hospital	Fund	Totals	Fund
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 326,764	\$ 7,533,040	\$ 351,768	\$ 8,211,572	\$ 10,519
Restricted Cash	19,295			19,295	
Assets Whose Use is Limited		1,931,250		1,931,250	
Accounts Receivable, Net of Allowance of \$117	1,079,764			1,079,764	
Patient Accounts Receivable - Net of Estimated					
Uncollectibles of \$7,617,524		20,313,497		20,313,497	
Inventories		4,410,710		4,410,710	
Other		1,487,610		1,487,610	
Total Current Assets	1,425,823	35,676,107	351,768	37,453,698	10,519
Noncurrent Assets:					
Restricted Cash	2,466,429			2,466,429	
Assets Whose Use is Limited		48,533,972		48,533,972	
Other Assets		345,320		345,320	
Capital Assets, Net of Accumulated Depreciation					
Land	2,715,500	8,068,530		10,784,030	
Construction in Progress		3,387,371		3,387,371	
Land Improvements		3,087,241		3,087,241	
Buildings and Improvements		45,853,747		45,853,747	
Landfill	19,068,492			19,068,492	
Equipment	362,875	42,076,666		42,439,541	
Vehicles	38,991			38,991	
Total Noncurrent Assets	24,652,287	151,352,847		176,005,134	-
Total Assets	\$ 26,078,110	\$ 187,028,954	\$ 351,768	\$ 213,458,832	\$ 10,519

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2009
(Continued)

	Business-Type Activities -				
	Enterprise Funds				
	Solid	Hardin	Jail		Governmental
	Waste	Memorial	Canteen		Activities -
	Fund	Hospital	Fund	Totals	Internal Service
Liabilities					Fund
Current Liabilities:					
Accounts Payable	\$ 165,270	\$ 6,131,685	\$	\$ 6,296,955	\$ 9,378
Accrued Liabilities - Primarily for Salaries, Wages and Benefits	3,337	14,915,122		14,918,459	
Estimated Third-Party Payor Settlements		3,993,680		3,993,680	
Bonds Payable, Current Portion	1,485,000	1,570,000		3,055,000	
Financing Obligations Payable, Current Portion	565,900			565,900	
Accrued Interest	184,705	96,691		281,396	
Total Current Liabilities	2,404,212	26,707,178	-	29,111,390	9,378
Noncurrent Liabilities:					
Bonds Payable	9,575,000	8,252,011		17,827,011	
Less: Unamortized Discount and Expense	(73,124)			(73,124)	
Less: Deferred Amount on Refunding	(305,150)			(305,150)	
Landfill Closure and Postclosure Payable	3,909,004			3,909,004	
Methane Gas Project	332,242			332,242	
Financing Obligations Payable	1,704,550			1,704,550	
Total Noncurrent Liabilities	15,142,522	8,252,011	-	23,394,533	-
Total Liabilities	17,546,734	34,959,189	-	52,505,923	9,378
Net Assets:					
Invested in Capital Assets, Net of Related Debt	4,761,699	92,651,544		97,413,243	
Restricted for Debt Service	19,295	4,635,764		4,655,059	
Restricted for Landfill Closure and Postclosure	2,466,429			2,466,429	
Restricted for Employee Support Program		22,745		22,745	
Restricted for Hardin Memorial Hospital Foundation		177,493		177,493	
Unrestricted	1,283,953	54,582,219	351,768	56,217,940	1,141
Total Net Assets	\$ 8,531,376	\$ 152,069,765	\$ 351,768	\$ 160,952,909	\$ 1,141

The accompanying notes are an integral part of the financial statements.

**HARDIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND**

For The Year Ended June 30, 2009

HARDIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND

For The Year Ended June 30, 2009

	Business-Type Activities -				
	Enterprise Funds				
					Governmental
	Solid	Hardin	Jail		Activities -
	Waste	Memorial	Canteen		Internal Service
	Fund	Hospital	Fund	Totals	Fund
Operating Revenues:					
Employee Contributions and Reimbursements	\$	\$	\$	\$ -	\$ 67,068
Franchise Taxes	132,254			132,254	
Garbage Collection Fees	2,314,884			2,314,884	
Garbage Collection Late Fees	33,580			33,580	
Household Hazardous Waste Grant	17,500			17,500	
Illegal Dump Grant	18,827			18,827	
Leachate Fees	119,000			119,000	
Methane Gas Sales	94,826			94,826	
Miscellaneous Revenues	1,617			1,617	
Recycling Grant	27,740			27,740	
Remediation Fees	286,608			286,608	
Tipping Fees	3,687,650			3,687,650	
Tonnage Fees	350,485			350,485	
Net Patient Service Revenue		190,436,452		190,436,452	
Other Operating Revenue		2,004,589		2,004,589	
Canteen Receipts			422,486	422,486	
Total Operating Revenue	7,084,971	192,441,041	422,486	199,948,498	67,068
Operating Expenses:					
Contracted Services	4,047,361			4,047,361	
Depreciation and Amortization	1,015,290	12,179,286		13,194,576	
Director/Coordinator Salary	52,263			52,263	
Engineering Services	199,553			199,553	
Environmental Monitoring Testing and Evaluat	67,768			67,768	
Evaluation and Testing	69,855			69,855	
Household Hazardous Waste Grant	21,639			21,639	
Illegal Dump Grant	24,024			24,024	
Landfill Closure and Postclosure	1,190,328			1,190,328	
Landfill Design 4A and 4B	198,650			198,650	
Landfill Manager Salary	55,847			55,847	
Machinery and Equipment	9,993			9,993	
Mapping	24,698			24,698	
Miscellaneous	4,655			4,655	
Operation and Maintenace - Gas Collection	73,868			73,868	
Other Salaries	41,436			41,436	
Other Supplies and Materials	22,414			22,414	
Petroleum Products	19,742			19,742	
Property and Liability Insurance	24,434			24,434	
Recycling Grant	16,668			16,668	
Remediation Fee Payment	219,750			219,750	
Renewals and Repairs	38,284			38,284	
Retirement	47,065			47,065	

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For The Year Ended June 30, 2009
(Continued)

	Business-Type Activities -				
	Enterprise Funds				
					Governmental
	Solid	Hardin	Jail		Activities -
	Waste	Memorial	Canteen		Internal Service
	Fund	Hospital	Fund	Totals	Fund
Operating Expenses: (Continued)					
SL Pump Leachate	\$ 6,375	\$	\$	\$ 6,375	\$
Social Security	10,293			10,293	
Solid Waste Transfer	13,019			13,019	
Unemployment Insurance	12,124			12,124	
Utilities/Telephone	43,916			43,916	
Worker's Compensation	11,986			11,986	
Salaries and Wages - Including Employee Benefits		91,290,101		91,290,101	
Supplies		38,325,526		38,325,526	
Professional Services		21,418,943		21,418,943	
Provision for Bad Debts		13,894,209		13,894,209	
Administrative and Other		10,321,873		10,321,873	
Provider Tax		3,261,917		3,261,917	
(Gain) Loss on Sale of Capital Assets		(926,034)		(926,034)	
Claims and Fixed Costs					68,756
Cost of Sales			239,971	239,971	
Entertainment			32,090	32,090	
Inmate Benefits			10,269	10,269	
Inmate Fees Paid to Fiscal Court			77,483	77,483	
Work Release Program			10,709	10,709	
Miscellaneous			346	346	
Sales Tax			1,042	1,042	
Total Operating Expenses	7,583,298	189,765,821	371,910	197,721,029	68,756
Operating Income (Loss)	(498,327)	2,675,220	50,576	2,227,469	(1,688)
Nonoperating Revenues (Expenses):					
Investment Income	50,136	2,187,897	952	2,238,985	
Inmate Refunds			(26,661)	(26,661)	
Interest Expense	(617,329)	(469,622)		(1,086,951)	
Noncapital Contributions		114,696		114,696	
Unrealized Gains on Investments		166,907		166,907	
Total Nonoperating Revenues (Expenses)	(567,193)	1,999,878	(25,709)	1,406,976	-
Net Income (Loss) Before Transfers	\$ (1,065,520)	\$ 4,675,098	\$ 24,867	\$ 3,634,445	\$ (1,688)
Transfers In	1,040,000			1,040,000	
Transfers Out		(95,643)	(100,000)	(195,643)	
Change in Net Assets	(25,520)	4,579,455	(75,133)	4,478,802	(1,688)
Total Net Assets - Beginning (Restated)	8,556,896	147,490,310	426,901	156,474,107	2,829
Total Net Assets - Ending	<u>\$ 8,531,376</u>	<u>\$ 152,069,765</u>	<u>\$ 351,768</u>	<u>\$ 160,952,909</u>	<u>\$ 1,141</u>

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 2009

HARDIN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 2009

	Business-Type Activities -				
	Enterprise Funds				
					Governmental
	Solid	Hardin	Jail		Activities -
	Waste	Memorial	Canteen		Internal Service
	Fund	Hospital	Fund	Totals	Fund
Cash Flows From Operating Activities:					
Receipts From Customers and Users	\$ 6,891,971	\$	\$ 422,486	\$ 7,314,457	\$
Receipts From Patient Services - Net		177,562,123		177,562,123	
Receipts From Others - Net		(1,257,328)		(1,257,328)	
Receipts For Employee Contributions and Reimbursements					67,068
Payments to Vendors and Contractors	(5,544,098)	(68,724,975)		(74,269,073)	
Payments to Employees	(161,532)	(90,927,991)		(91,089,523)	
Payments For Insurance Claims and Fixed Costs					(62,333)
Payments For Operating Expenses			(371,910)	(371,910)	
Net Cash Provided By Operating Activities	1,186,341	16,651,829	50,576	17,888,746	4,735
Cash Flows From Noncapital Financing Activities:					
Other		114,696		114,696	
Transfers From Other Funds	1,040,000			1,040,000	
Transfers to Other Funds		(95,643)	(100,000)	(195,643)	
Net Cash Provided (Used) By Noncapital Financing Activities	1,040,000	19,053	(100,000)	959,053	-
Cash Flows From Capital And Related Financing Activities:					
Purchase of Capital Assets	(36,380)	(14,070,566)		(14,106,946)	
Principal Payments on Long-Term Obligations	(1,999,950)	(1,530,000)		(3,529,950)	
Interest Payment on Long-Term Obligations	(525,181)	(409,713)		(934,894)	
Proceeds From Sale of Property and Equipment		1,048,883		1,048,883	
Net Cash (Used) By Capital And Related					
Financing Activities	(2,561,511)	(14,961,396)	-	(17,522,907)	-
Cash Flows From Investing Activities:					
Increase (Decrease) in Assets Whose Use is Limited		(3,722,869)		(3,722,869)	
Inmate Refunds			(26,661)	(26,661)	
Investment Income	50,136	2,354,804	952	2,405,892	
Net Cash Provided By (Used In) Investing Activities	50,136	(1,368,065)	(25,709)	(1,343,638)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(285,034)	341,421	(75,133)	(18,746)	4,735
Cash and Cash Equivalents - July 1, 2008	3,097,522	7,191,619	426,901	10,716,042	5,784
Cash and Cash Equivalents - June 30, 2009	\$ 2,812,488	\$ 7,533,040	\$ 351,768	\$ 10,697,296	\$ 10,519

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For The Year Ended June 30, 2009
(Continued)

	Business-Type Activities -				
	Enterprise Funds				
					Governmental
	Solid	Hardin	Jail		Activities -
	Waste	Memorial	Canteen		Internal Service
	Fund	Hospital	Fund	Totals	Fund
Reconciliation of Operating Income to					
Net Cash Provided (Used) By Operating					
Activities					
Operating Income (Loss)	\$ (498,327)	\$ 2,675,220	\$ 50,576	\$ 2,227,469	\$ (1,688)
Adjustments to Reconcile Operating Income (Loss) To Net Cash					
Provided By Operating Activities:					
Depreciation and Amortization Expense	1,015,290	12,179,286		13,194,576	
Provision for Uncollectible Accounts		13,894,209		13,894,209	
(Gain) Loss on Sale of Capital Assets		(926,034)		(926,034)	
Change in Assets and Liabilities:					
Patient Accounts Receivable		(12,551,595)		(12,551,595)	
Accounts Receivable	(193,000)			(193,000)	
Inventories		(341,897)		(341,897)	
Other Current Assets		(309,271)		(309,271)	
Accounts Payable	(232,671)	2,354,645		2,121,974	6,423
Accrued Liabilities	(453)			(453)	
Inmate Funds					
Estimated Third-Party Payor Settlements		(322,734)		(322,734)	
Methane Gas Project	(94,826)			(94,826)	
Landfill Closure and Postclosure	1,190,328			1,190,328	
Net Cash Provided By Operating Activities	<u>\$ 1,186,341</u>	<u>\$ 16,651,829</u>	<u>\$ 50,576</u>	<u>\$ 17,888,746</u>	<u>\$ 4,735</u>

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS

June 30, 2009

HARDIN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS

June 30, 2009

	Agency
	Fund
	Inmate
	Account
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 13,033
Total Assets	<u>13,033</u>
Liabilities	
Amounts Held In Custody For Other	13,033
Total Liabilities	<u>\$ 13,033</u>

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of Hardin County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA"). Pursuant to GASB Statement No. 20, the County has elected to apply to its proprietary activities the provisions of all relevant pronouncements of the Financial Accounting Standards Board that were issued on or after November 30, 1989, and do not conflict with or contradict GASB pronouncements.

B. Reporting Entity

The financial statements of Hardin County include the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the County is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Based upon the criteria stated in GASB 14 and GASB 39, management has included the Hardin County Public Library (Library Fund), the Hardin County Building Commission, and Hardin Memorial Hospital as part of the reporting entity as blended component units. Management has also included the Hardin County Planning and Development Commission as a discretely presented component unit.

Blended Component Units

Hardin County Public Library

Based on KRS 173.310 the Library is not a legally separate entity from the Hardin County Fiscal Court. The Library cannot be sued in its own name without recourse to the Fiscal Court and does not have the right to buy, sell, lease, or mortgage property in its own name. This component unit is blended in the financial statements.

Hardin County Building Commission

The Commission cannot be sued in its own name without recourse to Hardin County Fiscal Court. The Judge/Executive appoints two members and the Hardin County Attorney and Hardin County Treasurer are standing members. Fiscal Court is able to impose its will. The Commission is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as the agency in the acquisition and financing of public projects. The Commission issues debt to build major facilities or additions and has entered into a lease with Fiscal Court that expires annually. Fiscal Court has access to all resources and is legally obligated to finance the deficits of or provide financial support to the Commission. The Commission is financially accountable to Fiscal Court and is blended in the financial statements.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Hardin Memorial Hospital

The Hardin Memorial Hospital's combined financial statements include the operations of Hardin Memorial Hospital and Hardin Memorial Hospital Foundation, Inc. (collectively, Hardin Memorial Hospital). The Hospital is operated as an unincorporated unit of the Hardin County Fiscal Court. The Hospital provides inpatient and outpatient services to the residents of Hardin County, Kentucky and the surrounding area. Pursuant to Internal Revenue Service Code Section 115, the Hospital is exempt from federal income taxes. The Hardin Memorial Hospital Foundation, Inc. was organized to support, enhance and expand the activities of Hardin Memorial Hospital and other non-profit healthcare facilities in Hardin County. Hardin Memorial Hospital and the Hardin Memorial Hospital Foundation, Inc. are under the common control of the same Board of Trustees, the Hardin County Fiscal Court. Accordingly, the financial statements of Hardin Memorial Hospital and Hardin Memorial Hospital Foundation, Inc. are combined. All material inter-organization balances and transactions are eliminated in combination. Financial information for the Hardin Memorial Hospital is blended within Hardin County's financial statements. Hardin Memorial Hospital is separately audited and a copy of the independent auditor's report can be obtained from the Hospital's finance department, 913 North Dixie Avenue, Elizabethtown, Kentucky 42701, 270-737-1212.

Discretely Presented Component Unit

The component unit's column in the government-wide financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the Fiscal Court's primary government.

Hardin County Planning and Development Commission

The Hardin County Planning and Development Commission (Planning Commission) is a Hardin County government agency that enforces regulations involving zoning, subdivision development and local and state building and electrical codes in all areas of unincorporated Hardin County. The Planning Commission's board members are appointed by the County Judge/Executive with the approval of the Hardin County Fiscal Court. The Fiscal Court is able to impose its will on the Planning Commission. Financial information for the Planning and Development Commission is presented discretely within Hardin County's financial statements. The Planning Commission is separately audited and a copy of the independent auditor's report can be obtained from Chris Hunsinger, 14 Public Square, 3rd Floor, Elizabethtown, Kentucky 42701, 270-769-5479.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Hardin County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Hardin County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Hardin County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expense of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include : 1) charges to customers or applicants who purchase, use directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are presented as general revenues. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the County first applies restricted resources.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) October 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

E. Fund Financial Statements

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Governmental Funds

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grants Fund, Emergency Shelter Fund, and Library Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Local Government Economic Assistance Fund - The purpose of this fund is to account for local government development funds received from the state government. The funds may be used for roads, protection of persons and property, social services, and general health and sanitation expenditures. The Department for Local Government requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Federal Grants Fund - This fund is for the administration of federal grants received by the County.

Emergency Shelter Fund - This fund is for the administration of resources related to the domestic violence center.

Library Fund - This fund is a blended component unit. See note 1-B for additional information.

Debt Service Funds:

Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest. The Hardin County Building Commission Fund and Debt Service Fund are presented as debt service funds.

Permanent Funds:

The Fife Fund, Pauline Walker and Powell Duff Fund, and the Pauline Walker and Powell Duff Library Trust Fund are presented as permanent funds. Permanent funds are to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government's programs.

Fife Fund - This Fund was established by the will and codicils of H. B. Fife in 1955. The will imposed that the fund be held in perpetuity. This means the original \$270,000 principal should remain intact. The will created a trust for the following public purposes:

- 1) to aid in the construction and/or maintenance of the public county roads and bridges of Hardin County;
- 2) to aid in the construction and/or maintenance of a public airport;
- 3) to aid in the construction of a new courthouse or jail.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Fund Financial Statements (Continued)

Permanent Funds: (Continued)

The trustee that administers the Fife Trust is a committee consisting of the following with each having one vote: Hardin County Judge Executive, Hardin County Treasurer, and the Hardin County Fiscal Court. The majority of the committee has the full authority and discretion to decide how the income of the trust is to be spent. The will contained no language, which would limit the discretion of this committee in the expenditure of the Fife Trust income. The only limitation on the committee's discretion is that which the law imposes on all trustees in that their decisions must not be arbitrary. The committee must give due consideration for requests for expenditures in each of the categories but it remains within the committee's sound discretion as to how the income of the trust is ultimately expended.

Pauline Walker and Powell Duff Fund - This Fund was established by the will of Powell Duff in 1991. According to the will, this bequest "is given in memory of one who fought and wrought to improve the quality of life in southern Hardin County after she moved to Sonora in 1934." The trustee is the Hardin County Fiscal Court. The will imposed that the fund be held in perpetuity. This means the original \$459,526 principal should remain intact and the income may be spent annually as Fiscal Court sees fit.

Pauline Walker and Powell Duff Library Trust - This Trust was created in 1986 for the benefit of the Hardin County Public Library, subject to the uses and purposes as follows:

- 1) The corpus (principal) of the trust is the sum of \$75,000.
- 2) The trustees of the trust are the County Judge/Executive, Library Board Chairperson, and the County Treasurer.
- 3) The trustees are directed to invest the corpus in safe investments producing a reasonable rate of interest income. The trustees are further directed that all income produced shall be used solely for the purchase of books for the Hardin County Public Library. At no time shall the trustees invade the corpus for any reason whatsoever.
- 4) The trustees, in the performance of their duties under this trust instrument, shall be bound by the appropriate statutory provisions of the Kentucky Revised Statutes, as well as the common law, and shall adhere to all standards and requirements set forth.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days of year-end and available to pay obligations of the current period). The revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, charges for services, interest income and intergovernmental revenues. All other Governmental revenues are recognized when received. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Fund Financial Statements (Continued)

Revenue Recognition (Continued)

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Property taxes levied to finance fiscal year 2009 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in these funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The primary government reports the following major proprietary funds:

Solid Waste Fund - This fund accounts for County landfill operations. The primary sources of revenue for this fund are from charges to customers for garbage collection and tipping fees.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Fund Financial Statements (Continued)

Proprietary Funds (Continued)

Hardin Memorial Hospital - Hardin Memorial Hospital, a blended component unit of Hardin County Fiscal Court, accounts for the activities of the Hardin Memorial Hospital. The Hospital provides inpatient and outpatient medical services to residents of Hardin County and the surrounding area. The Hospital defines operating activities, as reported on the Statement of Revenues, Expenses and Changes In Net Assets, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all the Hospital's revenues and expenses are from exchange transactions. Certain revenues relied upon for operations, such as gifts and investment income, are recorded as non-operating revenues in accordance with Governmental Accounting Standards Board Statement No. 34.

Jail Canteen - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Internal Service Funds - The County's Internal Service Fund is the Employee Insurance Fund. This fund accounts for the costs of providing a self-insured dental insurance plan for the County's employees. Revenues include premiums and expenses include claims.

F. Presentation of Component Unit

Presentation of the underlying fund types of the Hardin County Planning and Development Commission, a major discretely presented component unit of Hardin County Fiscal Court, is available from the Planning Commission's separately issued financial statements.

During fiscal year ended June 30, 2009, the Hardin County Fiscal Court provided operating funds of \$250,000 to the Hardin County Planning and Development Commission.

G. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with maturities of three months or less from date of acquisition.

KRS 66.480 authorizes the County to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary Funds (Continued)

G. Deposits and Investments (Continued)

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value based on quoted market values.

Certain cash and investment amounts are classified on the statement of net assets as restricted because applicable bond indentures or other legal provisions limit their use. Restricted cash and cash equivalents are included and used for their respective purposes.

H. Assets Whose Use Is Limited and Investment Income for Hardin Memorial Hospital

Hardin Memorial Hospital's, a blended component unit of Hardin County Fiscal Court, assets whose use is limited are recorded at fair value and include, assets set aside by the Hospital Board for capital improvements, over which the Hospital Board retains control and may, at its discretion, subsequently use for other purposes and assets held by trustees under indenture agreements. Amounts required to meet current liabilities have been classified as current assets in the balance sheet.

All assets whose use is limited are held in the Hospital's name by a custodial bank.

Income from investments is reported as non-operating investment income.

I. Net Patient Service Revenue

The Hardin Memorial Hospital's, a blended component unit of Hardin County Fiscal Court, has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Approximately 58% of the Hospital's net patient service revenue is from the participation in Medicare program and state-sponsored Medicaid programs for the year ended June 30, 2009. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

J. Charity Care

The Hardin Memorial Hospital, a blended component unit of Hardin County Fiscal Court, provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital provided charity care to patients amounting to approximately \$16,315,000 (based on the Hospital's normal charges foregone) for the year ended June 30, 2009.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

K. Interfund Transactions

The Hardin County Fiscal Court has the following type of interfund transactions:

Interfund Transfers - Transfers presented in the fund financial statements represent the flow of assets (such as goods or cash) without equivalent flow of assets in return or requirement of repayment. The composition of the interfund transfers is presented in Note 6. Note that at the entity-wide level, the majority of interfund transfers have been eliminated. This is to avoid revenues and expenses from being reported more than once. Interfund transfers between governmental activities and business-type activities have not been eliminated.

L. Inventory

Inventory for Hardin Memorial Hospital's, a blended component unit of Hardin County Fiscal Court, supply inventory consists of expendable supplies held for consumption, the costs of which are recorded as an expense as they are used. Inventory for the Road Fund consists of pipe and salt used in operations. Inventory for the Jail Canteen Fund consists of goods for sale in the canteen operation.

All inventory is stated at the lower of cost or market on a first-in, first-out method (FIFO).

In the fund financial statements, reported inventories in the Road Fund are equally offset by a reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

M. Capital Assets and Depreciation

Capital assets, which include land, construction in progress, land improvements, buildings, building improvements, landfill, equipment, furniture, books, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Fund financial statements for governmental funds expense capital assets when purchased or constructed.

The policy of the primary government is to capitalize assets as noted in the table below. The primary government capitalizes all land. Component units establish their own capitalization policy and that policy may vary from that of the primary government. The primary government values fixed assets at historical cost. Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction of business-type assets is capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset. Assets held under capital leases are amortized over the estimated useful life of the asset, or the term of the lease, whichever is shorter. At June 30, 2009 the primary government had no assets held under capital leases.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

M. Capital Assets and Depreciation (Continued)

Asset Category	Capitalization Threshold	Useful Life (Years)
Buildings and building improvements	\$ 30,000	10-50
Equipment, furniture & books	5,000	3-15
Vehicles	5,000	5-15
Infrastructure	30,000	7-50

N. Fund Equity Reserves and Designations

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

O. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Provider Tax

During fiscal year 2006, the Hospital was required to pay the health care provider tax pursuant to legislation enacted by the Commonwealth of Kentucky. The legislation imposes tax rates of 2.5% of acute care gross revenue, 2% of home care gross revenue, and \$3 per non-Medicare patient day for hospital-based nursing facilities. The tax levied is for the purpose of providing funding for the Commonwealth of Kentucky Medicaid program.

Legislation enacted in 2006 by the Commonwealth of Kentucky altered this program by creating a new basis for calculating the health care provider tax on hospital services. Due to this legislation, the Hospital provider tax rate calculated was changed during fiscal year 2007 to a fixed monthly payment based on the total prior year provider tax paid rather than a straight percent based on hospital service revenues.

R. Budgetary Information

Annual budgets for the Hardin County Fiscal Court and Hardin County Planning and Development Commission, a discretely presented component unit of the Fiscal Court, are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by June 30.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

S. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Hardin County Fiscal Court: Hardin County Water District #1 and Hardin County Water District #2.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

T. Jointly Governed Organization

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria the Industrial Development is considered a jointly governed organization of the Hardin County Fiscal Court.

U. Compensated Absences

Upon retirement from the County, an employee will receive from the County an amount of accumulated sick leave determined by the County Employees Retirement System and the value of accumulated vacation leave. Sick leave is not paid by Hardin Memorial Hospital. Compensated absences are generally paid through the general, road, jail and solid waste funds.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the County's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated compensated absences payable" in the general fund. There was no amount required to be recorded at June 30, 2009. The noncurrent portion of the liability is not reported.

Note 2. Deposits and Investments

A. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement. The County's bank balances of \$1,364 were exposed to custodial credit risk as follows:

- \$1,364 unsecured and uncollateralized as of June 30, 2009

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments

As of June 30, 2009, the County had the following investments and maturities:

		Average Credit	Less		More
	Fair Value	Quality Ratings	Than 1	1-5	Than 10
Treasury Money Market Fund	\$ 20,565		\$ 20,565	\$	\$
USA Treasury Notes	51,453	AAA		51,453	
Federal Home Loan Bank	392,210	AAA		392,210	
Federal National Mortgage Association Notes	187,868	AAA	45,698	142,170	
Federal Home Loan Mortgage Corporation	85,706	AAA			85,706
Total Investments With Maturities	\$ 737,802		\$ 66,263	585,833	85,706
Domestic Equities	1,458	N/A	N/A	N/A	N/A
Preferred Stock	499	N/A	N/A	N/A	N/A
Money Market Mutual Funds	2,712,769	N/A	N/A	N/A	N/A
Total Investments	\$ 3,452,528				

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the County's investing activities are under the custody of the Fiscal Court. Investing policies comply with the State Statutes and the County's Investment Policy. Kentucky Revised Statute 66.480 defines the following items as permissible investments:

- Obligations of the United States and of its agencies and instrumentalities;
- Bonds or certificates of indebtedness of the State of Kentucky and of its agencies and instrumentalities;
- Shares of any savings and loan association insured by an agency of the government of the United States up to the amount so insured; and Interest bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations of the United States government, its agencies and instrumentalities.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The County policy provides that, to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. More than 5% of the County's investments are invested in Federal Home Loan Bank Notes (53.2% of total investments), Federal National Mortgage Association Notes (25.5% of total investments) and Federal Home Loan Mortgage Company Notes (11.6% of total investments).

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's \$737 thousand in securities is held by the counterparty's trust department in the County's name.

The County does not record any investments at amortized cost.

As of June 30, 2009, the Hardin Memorial Hospital had the following investments and maturities:

Type	Fair Value	2009	
		Maturities in Years	
		Less Than 1	1-10
U.S. Government Obligations	\$ 39,859,299	\$ 11,508,168	\$ 28,351,131
Cash and Cash Equivalents	6,380,048	6380048	-
Fixed Income Corporate Issues	2,225,875		2,225,875
Certificates of Deposit	2,000,000	-	2,000,000
	<u>\$ 50,465,222</u>	<u>\$ 17,888,216</u>	<u>\$ 32,577,006</u>

Note 3. Disaggregation of Accounts Receivable

Accounts receivable are amounts owed Hardin County as of June 30, 2009. Those amounts for governmental funds that are measurable and available are presented on the balance sheet and the revenue is recognized, while all receivables are recorded for governmental activities and business-type activities in the statement of net assets.

Receivables at June 30, 2009, for Hardin County's individual governmental major funds and nonmajor funds in the aggregate, including allowance for uncollectibles, with a reconciliation to governmental activities follows:

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Disaggregation of Accounts Receivable (Continued)

	General Fund	Road Fund	Jail Fund	Non-Major Governmental Funds	Total Governmental Funds	Accrual Additions	Total Governmental Activities
Receivables:							
Taxes	\$ 86,275	\$	\$	\$	\$ 86,275	\$	\$ 86,275
Intergovernmental	429,274	262,403	300,274	14,267	1,006,218		1,006,218
Other	<u>949,220</u>	<u>28,847</u>	<u>16,421</u>		<u>994,488</u>	<u>2,125,505</u>	<u>3,119,993</u>
Gross Receivables	1,464,769	291,250	316,695	14,267	2,086,981	2,125,505	4,212,486
Less: Allowance for Uncollectibles						<u>2,004,718</u>	<u>2,004,718</u>
Net Total Receivables	<u>\$1,464,769</u>	<u>\$ 291,250</u>	<u>\$ 316,695</u>	<u>\$ 14,267</u>	<u>\$ 2,086,981</u>	<u>\$ 120,787</u>	<u>\$ 2,207,768</u>

Note 4. Concentrations of Credit Risk

Hardin County grants credit without collateral to garbage collection, ambulance service and landfill customers. The County has established an allowance of \$117,296 for garbage collection accounts and \$2,004,718 for ambulance service accounts. No allowance has been established for landfill accounts.

The Hardin Memorial Hospital, a blended component unit of Hardin County Fiscal Court, grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Patient accounts receivable at June 30 consisted of:

Medicare	36%
Medicaid	9%
Other Third-Party Payors	30%
Patients	<u>25%</u>
	<u>100%</u>

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

			Reporting Entity			
			Beginning			Ending
			Balance	Increases	Decreases	Balance
<u>Governmental Activities:</u>						
Capital Assets Not Being Depreciated:						
Land			\$ 19,245,203	\$	\$	\$ 19,245,203
Total Capital Assets Not Being Depreciated			19,245,203			19,245,203
Capital Assets, Being Depreciated:						
Buildings			20,892,297	36,946	(75,000)	20,854,243
Equipment, Furniture and Books			8,836,842	402,661	(59,370)	9,180,133
Vehicles			5,399,407	491,962	(309,185)	5,582,184
Infrastructure			93,853,907	867,670		94,721,577
Total Capital Assets Being Depreciated			128,982,453	1,799,239	(443,555)	130,338,137
Less Accumulated Depreciation For:						
Buildings			(4,403,562)	(350,313)	15,300	(4,738,575)
Equipment, Furniture and Books			(5,377,964)	(679,659)	35,828	(6,021,795)
Vehicles			(3,516,076)	(293,310)	161,566	(3,647,820)
Infrastructure			(36,438,303)	(3,290,641)		(39,728,944)
Total Accumulated Depreciation			(49,735,905)	(4,613,923)	212,694	(54,137,134)
Total Capital Assets, Being Depreciated, Net			79,246,548	(2,814,684)	(230,861)	76,201,003
Governmental Activities Capital Assets, Net			<u>\$ 98,491,751</u>	<u>\$ (2,814,684)</u>	<u>\$ (230,861)</u>	<u>\$ 95,446,206</u>
Depreciation expense was charged to functions of the primary government as follows:						
<u>Governmental Activities:</u>						
General Government					\$ 309,501	
Protection to Persons and Property					799,520	
General Health and Sanitation					32,872	
Recreation and Culture					181,389	
Roads, Including Depreciation of General Infrastructure Assets					3,290,641	
Total Depreciation Expense - Governmental Activities					<u>\$ 4,613,923</u>	

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Capital Assets (Continued)

			Reporting Entity			
			Beginning			Ending
			Balance	Increases	Decreases	Balance
<u>Business-Type Activities:</u>						
Capital Assets Not Being Depreciated:						
Land			\$ 10,784,030	\$	\$	\$ 10,784,030
Construction in Progress			9,681,182	6,235,375	(12,529,186)	3,387,371
Total Capital Assets Not Being Depreciated			20,465,212	6,235,375	(12,529,186)	14,171,401
Capital Assets, Being Depreciated:						
Land Improvements			4,147,310	1,363,318		5,510,628
Building & Improvements			67,642,435	8,443,857		76,086,292
Landfill			28,070,162			28,070,162
Equipment			148,042,866	10,580,783	(1,152,299)	157,471,350
Vehicles			77,661	12,800		90,461
Total Capital Assets Being Depreciated			247,980,434	20,400,758	(1,152,299)	267,228,893
Less Accumulated Depreciation For:						
Land Improvements			(2,130,786)	(292,601)		(2,423,387)
Building & Improvements			(27,217,056)	(3,015,489)		(30,232,545)
Landfill			(8,008,614)	(993,056)		(9,001,670)
Equipment			(107,241,207)	(8,820,052)	1,029,450	(115,031,809)
Vehicles			(38,973)	(12,497)		(51,470)
Total Accumulated Depreciation			(144,636,636)	(13,133,695)	1,029,450	(156,740,881)
Total Capital Assets, Being Depreciated, Net			103,343,798	7,267,063	(122,849)	110,488,012
Business-Type Activities Capital Assets, Net			<u>\$ 123,809,010</u>	<u>\$13,502,438</u>	<u>\$ (12,652,035)</u>	<u>\$ 124,659,413</u>
Depreciation expense was charged to functions of the primary government as follows:						
<u>Business-Type Activities:</u>						
Solid Waste Fund					\$ 1,015,291	
Hardin Memorial Hospital					12,118,404	
Total Depreciation Expense - Business-Type Activities					<u>\$ 13,133,695</u>	

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Interfund Transactions

	Transfers	Transfers
	In	Out
General Fund	\$ 453,470	\$ 4,669,007
Road Fund	87,740	
Jail Fund	2,741,643	948,769
Non-Major Governmental Funds	1,677,654	187,088
Hardin Memorial Hospital		95,643
Solid Waste Fund	1,040,000	
Jail Canteen Fund		100,000
Total for Fund Statements	\$ 6,000,507	\$ 6,000,507

Reasons for transfers: 1) to move resources from one fund to another for budgetary purposes, to the fund that will expend them; 2) to move resources from one fund to another for budgetary purposes, to the fund that will receive them; 3) to move resources from funds recording the revenue to the fund making the debt service payments; and 4) to move resources from the permanent funds to the fund designated to receive the earnings. These transfers were eliminated in the preparation of the Statement of Activities to include only those transfers between governmental activities and business-type activities, which equals \$844,357.

Note 7. Long-term Debt

A. General Obligation Bonds, Series 2005

Hardin County Fiscal Court issued \$3,790,000 in General Obligation Bonds dated March 2, 2005 to fund the expansion of the Hardin County Landfill. The bonds carry an interest rate ranging from 2.5% to 3% and mature beginning January 1, 2006 through January 1, 2011. At June 30, 2009, bonds outstanding were \$1,330,000. Annual debt service requirements to maturity are as follows:

	Business-Type Activities	
Fiscal Year		
Ended	Principal	Scheduled
June 30	Amount	Interest
2010	\$ 655,000	\$ 38,590
2011	675,000	20,250
Totals	\$ 1,330,000	\$ 58,840

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Long-term Debt (Continued)

B. General Obligation Refunding and Improvement Bonds, Series 2002

Hardin County Fiscal Court issued \$7,865,000 in General Obligation Refunding and Improvement Bonds dated February 15, 2002, to partially advance refund bonds of \$5,560,000 (\$4,490,000 of outstanding 1994 Series Bonds and \$1,070,000 of outstanding 1995 Series Bonds) issued by the Hardin County Building Commission, a blended component unit of the Fiscal Court, and to finance a \$1,500,000 detention center project. The final maturity date of the 2002 series bonds is December 1, 2021 and the bonds carry an interest rate ranging from 1.5% to 4.75%. As of June 30, 2009, bonds outstanding were \$5,685,000. Annual debt service requirements to maturity are as follows:

	Governmental Activities	
Fiscal Year		
Ended	Principal	Scheduled
June 30	Amount	Interest
2010	\$ 615,000	\$ 225,291
2011	640,000	202,221
2012	670,000	176,821
2013	690,000	149,621
2014	715,000	121,074
2015-2019	1,555,000	326,218
2020-2022	800,000	58,188
Totals	\$ 5,685,000	\$1,259,434

C. General Obligation Bonds, Series 2008

Hardin County Fiscal Court issued general obligation bonds, series 2008 dated June 1, 2008, in the amount of \$9,830,000 at an interest rate of 3.4%. The proceeds of the bonds were for the purpose of partially advance refunding the 1999 General Obligation Bonds. The final maturity date is June 1, 2019. As of June 30, 2009, bonds outstanding were \$9,730,000. Annual debt service requirements to maturity are as follows:

	Business-Type Activities	
Fiscal Year		
Ended	Principal	Scheduled
June 30	Amount	Interest
2010	\$ 830,000	\$ 330,820
2011	860,000	302,600
2012	895,000	273,360
2013	925,000	242,930
2014	950,000	211,480
2015-2019	5,270,000	549,270
Totals	\$ 9,730,000	\$1,910,460

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Long-term Debt (Continued)

D. Domestic Violence Center

On June 1, 1995, Hardin County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust for the renovation of a building to be used as a Domestic Violence Center. The principal was \$165,000 at an effective interest rate of 3.75% for a period of twenty years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$68,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Scheduled
	Amount	Interest
2010	\$ 10,000	\$ 3,961
2011	10,000	3,340
2012	11,000	2,694
2013	12,000	1,986
2014	12,000	1,241
2015	13,000	471
Totals	\$ 68,000	\$ 13,693

E. Library and Landfill

On June 25, 2001, Hardin County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust to be used for the construction of a new County library and expansion of the Hardin County landfill. The principal was \$4,800,000 (\$1,300,000 for the library and \$3,500,000 for the landfill) at an effective interest rate of 4.5% for a period of fifteen years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$2,665,000 (\$719,550 for the library and \$1,945,450 for the landfill). Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Scheduled	Principal	Scheduled
	Amount	Interest	Amount	Interest
2010	\$ 89,100	\$ 36,042	\$ 240,900	\$ 97,447
2011	93,150	31,247	251,850	84,483
2012	97,200	26,238	262,800	70,941
2013	102,600	20,986	277,400	56,740
2014	108,000	15,448	292,000	41,768
2015-2016	229,500	13,273	620,500	35,888
Totals	\$ 719,550	\$ 143,234	\$1,945,450	\$ 387,267

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Long-term Debt (Continued)

F. Landfill Expansion

On May 26, 2004, Hardin County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust for the expansion of the landfill. The principal was \$1,500,000 at an effective interest rate of 3.23% for a period of five years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$325,000. Annual debt service requirements to maturity are as follows:

	Business-Type Activities	
Fiscal Year		
Ended	Principal	Scheduled
June 30	Amount	Interest
2010	\$ 325,000	\$ 1,135
Total	\$ 325,000	\$ 1,135

G. 911 Equipment

On September 17, 2005, Hardin County Fiscal Court entered into an agreement with First Federal Savings Bank for the purchase of 911 equipment. The principal was \$1,500,000 for a period of seven years with an interest rate of 3.5% with interest and principal paid annually. The principal outstanding as of June 30, 2009, was \$577,717. Annual debt service requirements to maturity are as follows:

	Governmental Activities	
Fiscal Year		
Ended	Principal	Scheduled
June 30	Amount	Interest
2010	\$ 260,840	\$ 17,090
2011	270,248	7,682
2012	46,629	410
Totals	\$ 577,717	\$ 25,182

H. Glendale Project

On August 9, 2002, Hardin County Fiscal Court entered into a non-interest bearing loan agreement with the Kentucky Cabinet of Economic Development to provide funds to assist in purchasing a parcel of land at Glendale, Kentucky, to be used as a future manufacturing site. The loan provides for up to \$10,950,000, of funds and is for a period of ten years with an automatic renewal for another period of ten years. The principal outstanding as of June 30, 2009, was \$10,639,585. Fiscal Court is not required to repay any principal unless the land is sold. The Fiscal Court is only required to repay principal in the amount of net proceeds received for the sale of the land. The loan is secured by a mortgage on the land.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Long-term Debt (Continued)

I. Landfill Closure and Postclosure Costs

The Hardin County Fiscal Court is accumulating funds for the estimated closure and postclosure costs of its landfill. See Note 8 for additional information regarding landfill closure and postclosure costs.

J. Hardin Memorial Hospital Long-term Obligations

Hardin Memorial Hospital's, a blended component unit of the Hardin County Fiscal Court, long-term obligations for the year ended June 30, 2009 are summarized as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Hospital Revenue Bonds:					
Series 2003 (3.21%)	\$ 11,800,000	\$	\$ (1,530,000)	\$ 10,270,000	\$ 1,570,000
Less: Unamortized Discount	(87,169)		13,947	(73,222)	
Less: Deferred Bond Refund	(446,151)		71,384	(374,767)	
Total Long-Term Obligations	\$ 11,266,680	\$	\$ (1,444,669)	\$ 9,822,011	\$ 1,570,000

The amounts of required principal and interest payments on the Hospital's long-term obligations at June 30, 2009 were as follows:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal Amount	Scheduled Interest
2010	\$ 1,570,000	\$ 361,250
2011	1,615,000	307,475
2012	1,675,000	247,806
2013	1,735,000	181,700
2014	1,805,000	110,900
Thereafter	1,870,000	37,400
Totals	\$10,270,000	\$ 1,246,531

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Long-term Debt (Continued)

K. Changes In Long-term Liabilities

Long-term liability for the year ended June 30, 2009, was as follows:

	Beginning			Ending	Amount Due
	Balance	Additions	Reductions	Balance	Within
					One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 6,285,000	\$	\$ (600,000)	\$ 5,685,000	\$ 615,000
Financing Obligations	1,711,964		(346,698)	1,365,266	359,940
Notes Payable	10,639,585			10,639,585	
Compensated Absences	480,045	19,210		499,255	9,505
Total Governmental Activities	\$ 19,116,594	\$ 19,210	\$ (946,698)	\$ 18,189,106	\$ 984,445
<u>Business-Type Activities:</u>					
General Obligation Bonds	\$ 12,515,000	\$	\$ (1,455,000)	\$ 11,060,000	\$ 1,485,000
Financing Obligations	2,815,400		(544,950)	2,270,450	565,900
Hospital Revenue Bonds	11,800,000		(1,530,000)	10,270,000	1,570,000
Less: Unamortized Discount	(179,947)		33,601	(146,346)	
Less: Deferred Bond Refunding	(815,208)		135,291	(679,917)	
Total Business-Type Activities	\$ 26,135,245	\$	\$ (3,361,058)	\$ 22,774,187	\$ 3,620,900

The general fund is primarily responsible for liquidating other long-term liabilities related to compensated absences and the solid waste fund will be responsible for paying landfill closure costs.

L. Partial Advance Refunding – General Obligation Bonds, Series 1999

On June 1, 2008 the County issued \$9,830,000 in General Obligation Bonds with an interest rate of 3.4 percent to partially advance refund \$9,385,000 of outstanding 1999 Series general obligation bonds. The refunding was a partial advance refunding and \$720,000 of the 1999 Series bonds remained outstanding. The net proceeds of \$9,754,057 (after \$75,000 in bond discount and issuance costs and \$943 of excess funds which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 1999 Series bonds. As a result, that portion of the 1999 Series bonds was considered defeased and the County removed the liability from its accounts. During the fiscal year ended June 30, 2009, the County paid the remaining outstanding balance of \$720,000.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Long-term Debt (Continued)

L. Partial Advance Refunding - General Obligation Bonds, Series 1999 (Continued)

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$369,057. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2019 using the effective-interest method.

The County completed the refunding to reduce its total debt service payments over the next 10 years by \$579,082 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$484,667.

Note 8. Closure and Postclosure Care Cost of Municipal Solid Waste Landfill

State and federal laws and regulations require Hardin County to place a final cover on its Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. Total landfill closure and postclosure costs at June 30, 2009, are estimated at \$6,842,632 and \$1,347,065 based on landfill capacity used to date. The current portion of estimated costs totals \$3,909,004. Actual cost may be higher due to inflation, changes in technology, or changes in applicable laws or regulations. Estimates are adjusted for inflation. The projected date of closure for the current permitted space is November 10, 2015. No cost related to closure or postclosure care has been incurred to date. In December 2000, the County began contributing \$62,600 per quarter to a landfill escrow account to be used at closure. The balance of the account at June 30, 2009 was \$2,466,429. This is the amount reflected as restricted net assets in the accompanying financial statements. As of January 12, 2009, approximately 48% of the landfill airspace had been used. The estimated remaining landfill life is five and a half years.

Note 9. Employee Retirement System

A. Hardin County Fiscal Court

Hardin County Fiscal Court, except for the Hardin Memorial Hospital, has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Employee Retirement System (Continued)

A. Hardin County Fiscal Court (Continued)

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 \$1,610,188, FY 2008 \$2,031,661, and FY 2009 was \$1,513,181.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

B. Hardin Memorial Hospital

The Hardin Memorial Hospital's, a blended component unit of the Hardin County Fiscal Court, Restated Retirement Plan (the "Plan") is a single-employer defined benefit pension plan covering substantially all employees. The Plan provides retirement, disability and death benefits to plan members and their designated beneficiaries. The Board of the Hospital has the authority to establish and amend the benefit provisions of the Plan at any time. If the Plan is terminated, the Plan assets will be distributed among the Plan participants based upon a priority allocation procedure. The Hospital would then be liable for any unfunded vested benefits to the extent required by law.

The Plan does not issue a stand-alone financial report.

The entire cost of the Plan is borne by the Hospital. Therefore, active Plan members are not required to contribute to the Plan. The Hospital is required to contribute at an actuarially determined rate. Contribution requirements are established and may be amended by the Board of the Hospital. The annual required contribution for 2009 was determined as part of the July 1, 2008, actuarial valuation using the projected unit credit method. The 30-year funding rate is 4.6% of expected covered payroll for the year ended June 30, 2009, which is higher than the 4.0% of expected covered payroll for the year ended June 30, 2008.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Employee Retirement System (Continued)

B. Hardin Memorial Hospital (Continued)

The Hospital's annual pension cost and net pension obligation for the year ended June 30, 2009, were as follows:

	2009
Annual Required Contribution	\$2,822,018
Net Pension Obligation, Beginning of Year	
Interest on Net Pension Obligation	
Annual Minimum Contribution Adjustment	
Annual Pension Cost	2,822,018
Contributions Made	2,822,018
Net Pension Obligation, End of Year	\$

Three Year Trend Information:

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	\$2,381,761	100%	-
June 30, 2008	\$2,351,459	100%	-
June 30, 2009	\$2,822,018	100%	-

Schedule of Funding Progress (Dollars in Thousands)						
						UAAL (Funding Excess) as a
	Actuarial		Total		Annual	Percentage
	Valuation of		UAAL	Funding	Covered	of Covered
Valuation Date	Plan Assets	AAL	(Funding Excess)	Ratio	Payroll	Payroll
June 30, 2006	\$ 37,656	\$ 47,593	\$ 9,937	79%	\$ 54,575	18.21%
June 30, 2007	\$ 42,182	\$ 50,969	\$ 8,787	83%	\$ 58,173	15.10%
June 30, 2008	\$ 40,504	\$ 49,148	\$ 8,644	82%	\$ 60,740	14.23%

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Employee Retirement System (Continued)

B. Hardin Memorial Hospital (Continued)

As of July 1, 2008, the most recent actuarial valuation date, the Plan was 82% funded. The actuarial accrued liability for benefits was \$49,148,463 and the actuarial value of assets was \$40,504,291 resulting in an unfunded actuarial accrued liability (UAAL) of \$8,644,172. The covered payroll (annual payroll of active employees covered by the Plan) was \$60,739,700 and the ratio of the UAAL to covered payroll was 14.23%.

In the July 1, 2008, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 7.75% investment rate of return and salary increases were projected to be 5.0%. The actuarial value of assets was determined using market value. The UAAL is being amortized on a level dollar basis over a 30-year period with respect to current Plan participants only. The remaining amortization period at July 1, 2008, ranged from 12 to 30 years.

Note 10. Post-employment Health Care

Effective with retirements on or after July 1, 1992, the Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, provides medical coverage to eligible retirees and their spouses. Retirees and their spouses are eligible to participate in the same medical plan in which they participated while actively employed. This coverage ceases for both retirees and spouses upon attainment of age 65. Employees hired on July 1, 2005, or thereafter are not eligible for this medical coverage.

The plan is a pay-as-you-go plan and therefore, is not funded. The Hospital funds on a cash basis as benefits are paid. No assets have been segregated or restricted to provide for other post-employment benefits (OPEB).

The Hospital's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Hospital's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Hospital's net OPEB obligation to the plan:

Annual Required Contribution	\$ 865,256
Interest on Net OPEB Obligation	21,788
Adjustment to Annual Required Contribution	(30,294)
Annual OPEB Cost (Expense)	856,750
Contributions Made	(337,632)
Increase in Net OPEB Obligation	519,118
Net OPEB Obligation - Beginning of Year	544,695
Net OPEB Obligation - End of Year	\$ 1,063,813

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 10. Post-employment Health Care (Continued)

The Hospital's annual OPEB cost (expense), the percentage of annual OPEB cost (expense) contributed to the plan and the net OPEB obligation for 2009 were as follows:

		Percentage of	
		Annual OPEB	Net
	Annual OPEB	Cost	OPEB
Fiscal Year Ended	Cost	Contributed	Obligation
June 30, 2008	\$ 826,324	34%	\$ 544,695
June 30, 2009	\$ 856,750	39%	\$ 1,063,813

As of July 1, 2008, the most recent actuarial valuation date, the plan had no assets since the Hospital does not fund the plan. The UAAL for benefits was \$9.13 million.

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The scheduler of funding progress, presented above presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities (AAL) for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 10. Post-employment Health Care (Continued)

In the July 1, 2008, actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 4% discount rate, an annual health care cost trend rate of 8% initially, reduced by decrements to an ultimate coverage with 70% of retirees electing coverage who have spouses are assumed to elect spousal coverage. The UAAL is being amortized at a level dollar amount over thirty years. The remaining amortization period at July 1, 2008, was twenty-nine (29) years.

Note 11. Insurance

For the fiscal year ended June 30, 2009, Hardin County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Self-Insurance

Hardin County established a self-funded dental insurance plan effective July 1, 2006. The self-funded Internal Service Fund (Employee Insurance Fund) is available to employees for dental care. Hardin County contracted with Tim Davis and Associates to administer the employee insurance plan for 2009. The contract automatically renews until terminated by either party.

This self-funded insurance plan has two distinct components. The first component is the fixed cost, which consists of administrative costs to run the plan. Fixed costs were five dollars a month per employee with additional costs for COBRA administration and employee handbooks. The second component consists of employee claims. There is no stop loss reinsurance or terminal liability provisions for the plan. The Fiscal Court is responsible to pay all claims in excess of the funds available in the Employee Insurance Funds.

The Employee Insurance Fund had a beginning balance on July 1, 2009 of \$2,829. Receipts consisting of employee contributions and reimbursements for fiscal year ending June 30, 2009 were \$67,068. Payments for claims and fixed costs totaled \$68,756. The ending balance of the Employee Insurance Fund as of June 30, 2009 was \$1,141.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 13. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been performed. The estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. All infrastructure assets placed in service during the fiscal year ended June 30, 2003, and thereafter are recorded at actual historical cost or fair value.

Note 14. Medical Malpractice Claims

The Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, is self-insured for the first \$1,000,000 per occurrence and \$3,000,000 aggregate for medical malpractice and general liability risks and has established a risk retention fund for the payment of medical malpractice and general liability claims settlements. The Hospital purchases commercial insurance above the self-insurance limits. Losses from asserted and unasserted claims identified under the Hospital's incident reporting system are reviewed by professional insurance consultants and accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Hospital's estimate of losses will change by a material amount in the near term. Management is not aware of any such claims.

Activity in the Hospital's accrued medical malpractice claims liability during 2009 are summarized as follows:

	2009
Balance, Beginning of Year	\$4,165,147
Current Year Claims Incurred and Changes in Estimates	
for Claims Incurred in Prior Years	436,021
Claims and Expenses Paid	(119,820)
Balance, End of Year	\$4,481,348

Note 15. Endowment Funds

The Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, is the income beneficiary of endowment funds held in trust by outside parties. Under the terms of the trust, the Hospital has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. Unrestricted income received for the year ended June 30, 2009, was \$26,839. The principal of the funds (market value as of June 30, 2009, aggregated \$433,641) is not directly or indirectly controlled by the Hospital. Accordingly, such endowment funds are not included as assets on the Hospital's statement of net assets.

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 16. Commitments and Contingencies

The County is a defendant in a number of lawsuits that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the County Attorney, these actions when finally adjudicated will not have material adverse effect on the financial position of the County. Also, the County has entered into various commitments related to the purchase of equipment and construction projects.

Note 17. Letter of Credit

The Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, has a letter of credit with Kentucky Neighborhood Bank in the amount of \$1,227,000, which expires on December 31, 2009, for the Hospital's self-funded workers' compensation plan. The letter of credit is a requirement of the Kentucky Labor Cabinet's Department of Worker's Claims for all self-insured employers in the Commonwealth of Kentucky.

Note 18. Landfill Methane Gas Purchase Agreement

The County entered into a landfill methane gas purchase agreement with East Kentucky Power Cooperative, Inc., to sell all future landfill methane gas. In consideration for this contract, East Kentucky Power Cooperative, Inc. provided \$700,000 in funds to purchase, construct and/or install necessary delivery equipment. East Kentucky Power Cooperative, Inc. will recover the \$700,000 through the receipt of methane gas until the entire amount is recovered. The percentage of the total revenue stream that has been pledged is not estimable. The County recognized this as a collateralized borrowing under GASB Statement 48. The remaining liability under this agreement at June 30, 2009, was \$332,242.

Note 19. Leases Receivable

The County leases various facilities under operating leases. The County is scheduled to receive \$30,506 in fiscal year 2010 under these leases. During fiscal year 2009, the County received \$28,874 under these lease agreements.

Note 20. Prior Period Adjustments

The prior year net asset ending balances have been restated for the following:

		Governmental Activities
Net Assets Ending Balance Prior Year		\$95,233,848
Less:		
Library Fund - Beginning Balance		(2,750)
Less:		
Capital Assets Erroneously Included In Prior Year	\$ (28,000)	
Accumulated Depreciation Of Capital Assets Erroneously Included In Pri	23,202	
Subtotal To Asset Adjustment		(4,798)
Net Assets Beginning Balance - Restated		\$95,226,300

HARDIN COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 20. Prior Period Adjustments (Continued)

			Business-type
			Activities
Net Assets Ending Balance Prior Year			\$ 156,471,280
Plus:			
Jail Canteen Fund - Beginning Balance			2,827
Net Assets Beginning Balance - Restated			<u>\$ 156,474,107</u>
			General
			Fund
Ending Balance Prior Year			\$ 10,474,706
Plus:			
Correction of Prior Year Errors			10,080
Beginning Balance - Restated			<u>\$ 10,484,786</u>

Note 21. Change In Accounting Estimate

Landfill closure and postclosure expenses in the current year increased from previous year due to a change in an accounting estimate. In previous years the fiscal court calculated landfill closure and postclosure expenses by using the amount of tonnage used. These expenses should have been calculated using cubic yards consumed. The amount that should have been expensed in previous years was \$953,301. This amount has been expensed in the current year.

Note 22. Subsequent Events

A. General Obligation Refunding Bonds, Series 2009

The Hardin County Fiscal Court issued Hardin County, Kentucky General Obligation Refunding Bonds (Hardin County Solid Waste Project), Series 2009 in the amount of \$1,410,000. The proceeds of the Bonds will be used to refund the outstanding Series 2005 Bonds.

B. Landfill

In March, 2010 Hardin County had a new engineering study performed to update the life of the landfill. The projected date of closure for the current permitted space is September, 2029. The landfill expansion, pending final state approval, will add 23,000,000 cubic yards of airspace, thereby increasing the landfill's length of life by 115 years at the current disposal rate. No cost related to closure or post-closure has been incurred to date.

HARDIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

HARDIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
			Actual	Variance with
			Amounts,	Final Budget
	Budgeted Amounts		(Budgetary	Positive
	Original	Final	Basis)	(Negative)
REVENUES				
Taxes	\$ 6,997,600	\$ 6,997,600	\$ 6,735,613	\$ (261,987)
Excess Fees	909,839	909,839	885,004	(24,835)
Licenses and Permits	183,800	183,800	180,863	(2,937)
Intergovernmental	1,241,835	2,991,835	998,762	(1,993,073)
Charges for Services	4,408,400	4,408,400	4,285,311	(123,089)
Miscellaneous	634,000	761,700	772,900	11,200
Interest	160,000	160,000	72,352	(87,648)
Total Revenues	14,535,474	16,413,174	13,930,805	(2,482,369)
EXPENDITURES				
General Government	3,495,543	3,522,971	3,231,330	291,641
Protection to Persons and Property	5,676,259	5,762,682	5,414,603	348,079
General Health and Sanitation	593,493	2,349,450	574,333	1,775,117
Social Services	268,210	266,682	142,458	124,224
Recreation and Culture	1,016,729	1,013,984	234,693	779,291
Bus Service	30,000	27,798	100	27,698
Capital Projects	71,000	71,000	-	71,000
Administration	669,761	622,612	515,045	107,567
Total Expenditures	11,820,995	13,637,179	10,112,562	3,524,617
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	2,714,479	2,775,995	3,818,243	1,042,248
OTHER FINANCING SOURCES (USES)				
Transfers In			454,185	454,185
Transfers Out	(2,861,129)	(2,861,129)	(4,694,138)	(1,833,009)
Total Other Financing Sources (Uses)	(2,861,129)	(2,861,129)	(4,239,953)	(1,378,824)
Net Changes in Fund Balances	(146,650)	(85,134)	(421,710)	(336,576)
Fund Balance - Beginning	146,650	146,650	9,266,992	9,120,342
Fund Balance - Ending	\$ -	\$ 61,516	\$ 8,845,282	\$ 8,783,766

HARDIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
			Actual	Variance with
			Amounts,	Final Budget
	Budgeted Amounts		(Budgetary	Positive
	Original	Final	Basis)	(Negative)
REVENUES				
Licenses and Permits	\$ 20,000	\$ 20,000	\$ 9,380	\$ (10,620)
Intergovernmental	2,011,704	2,011,704	1,957,327	(54,377)
Charges for Services	2,700	2,700	3,406	706
Miscellaneous	200,000	210,675	99,469	(111,206)
Interest	40,000	40,000	9,282	(30,718)
Total Revenues	2,274,404	2,285,079	2,078,864	(206,215)
EXPENDITURES				
General Government	4,662	6,964	6,964	-
Roads	2,144,207	2,214,672	1,916,471	298,201
Administration	459,548	461,177	421,688	39,489
Total Expenditures	2,608,417	2,682,813	2,345,123	337,690
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(334,013)	(397,734)	(266,259)	131,475
OTHER FINANCING SOURCES (USES)				
Transfers In	334,013	334,013	120,370	(213,643)
Transfers Out				-
Total Other Financing Sources (Uses)	334,013	334,013	120,370	(213,643)
Net Changes in Fund Balances	-	(63,721)	(145,889)	(82,168)
Fund Balance - Beginning			372,476	372,476
Fund Balance - Ending	\$ -	\$ (63,721)	\$ 226,587	\$ 290,308

HARDIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
			Actual	Variance with
			Amounts,	Final Budget
	Budgeted Amounts		(Budgetary	Positive
	Original	Final	Basis)	(Negative)
REVENUES				
Intergovernmental	\$ 4,325,000	\$ 4,335,000	\$ 4,112,644	\$ (222,356)
Charges for Services	190,000	190,000	197,881	7,881
Miscellaneous	499,000	499,000	210,338	(288,662)
Interest	15,000	15,000	4,131	(10,869)
Total Revenues	5,029,000	5,039,000	4,524,994	(514,006)
EXPENDITURES				
Protection to Persons and Property	4,637,418	4,789,210	4,486,805	302,405
Debt Service	846,862	846,862		846,862
Administration	2,026,485	1,877,836	1,721,119	156,717
Total Expenditures	7,510,765	7,513,908	6,207,924	1,305,984
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(2,481,765)	(2,474,908)	(1,682,930)	791,978
OTHER FINANCING SOURCES (USES)				
Transfers In	2,443,805	2,443,805	2,741,643	297,838
Transfers Out			(948,769)	(948,769)
Total Other Financing Sources (Uses)	2,443,805	2,443,805	1,792,874	(650,931)
Net Changes in Fund Balances	(37,960)	(31,103)	109,944	141,047
Fund Balance - Beginning	37,960	37,960	107,763	69,803
Fund Balance - Ending	\$ -	\$ 6,857	\$ 217,707	\$ 210,850

HARDIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Generally Accepted Accounting Principles (GAAP) differs from the budgetary comparison schedules of the General Fund, Road Fund, and Jail Fund which have been presented on the Modified Cash Basis and according to the laws of Kentucky. See the following pages.

HARDIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009
(Continued)

General Fund:

Explanation Of Differences Between Budgetary Inflows And Outflows And GAAP Revenues And Expenditures	
Sources/Inflows of Resources	
Actual Amounts (Budgetary Basis) "Available For Appropriation" From The Budgetary Comparison Schedule	\$ 13,930,805
Differences - Budget to GAAP:	
Certain Inflows Are Recorded As Revenues, But Are Not Revenues On The Budgetary Basis.	137,922
Total Revenues As Reported On The Statement Of Revenues, Expenditures And Changes In Fund Balances - Governmental Funds.	\$ 14,068,727
Uses/Outflows of Resources	
Actual Amounts (Budgetary Basis) "Total Charges To Appropriations" From The Budgetary Comparison Schedule.	\$ 10,112,562
Differences - Budget to GAAP:	
Certain Outflows Are Expenditures For Financial Reporting, But Are Not Recorded On The Budgetary Basis.	38,408
Total Expenditures As Reported On The Statement Of Revenues, Expenditures And Changes In Fund Balances - Governmental Funds.	\$ 10,150,970

HARDIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009
(Continued)

Road Fund:

Explanation of Differences between Budgetary Inflows And Outflows and GAAP	
Revenues and Expenditures	
Sources/Inflows Of Resources	
Actual Amounts (Budgetary Basis) "Available For Appropriation" From The Budgetary	
Comparison Schedule	\$ 2,078,864
Differences - Budget To GAAP:	
Certain Inflows Are Recorded On The Budgetary Basis, But Are Not Revenues For Financial	
Reporting Purposes.	(78,123)
Total Revenues As Reported On The Statement Of Revenues, Expenditures And Changes	
In Fund Balances - Governmental Funds.	\$ 2,000,741
Uses/Outflows Of Resources	
Actual Amounts (Budgetary Basis) "Total Charges To Appropriations" From The Budgetary	
Comparison Schedule.	\$ 2,345,123
Differences - Budget To GAAP:	
Certain Outflows Are Recorded On The Budgetary Basis, But Are Not Expenditures For	
Financial Reporting Purposes.	(95,055)
Total Expenditures As Reported On The Statement Of Revenues, Expenditures And Changes	
In Fund Balances - Governmental Funds.	\$ 2,250,068

HARDIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009
(Continued)

Jail Fund:

Explanation Of Differences Between Budgetary Inflows And Outflows And GAAP	
Revenues And Expenditures	
Sources/Inflows Of Resources	
Actual Amounts (Budgetary Basis) "Available For Appropriation" From The Budgetary	
Comparison Schedule	\$ 4,524,994
Differences - Budget To GAAP:	
Certain Inflows Are Not Recorded On The Budgetary Basis, But Are Revenues For Financial	
Reporting Purposes.	(312,297)
Total Revenues As Reported On The Statement Of Revenues, Expenditures And Changes	
In Fund Balances - Governmental Funds.	\$ 4,212,697
Uses/Outflows Of Resources	
Actual Amounts (Budgetary Basis) "Total Charges To Appropriations" From The Budgetary	
Comparison Schedule.	\$ 6,207,924
Differences - Budget To GAAP:	
Certain Outflows Are Expenditures For Financial Reporting, But Are Not Recorded On	
The Budgetary Basis.	111,768
Total Expenditures As Reported On The Statement Of Revenues, Expenditures And Changes	
In Fund Balances - Governmental Funds.	\$ 6,319,692

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**HARDIN COUNTY
OTHER SUPPLEMENTARY INFORMATION**

HARDIN COUNTY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2009

				Total
	Special	Debt		Nonmajor
	Revenue	Service	Permanent	Governmental
	Funds	Funds	Funds	Funds
ASSETS				
Cash and Cash Equivalents	\$ 43,494	\$	\$ -	\$ 43,494
Prepays	6,338			6,338
Accounts Receivable	14,267			14,267
Investments			3,452,528	3,452,528
Total Assets	<u>\$ 64,099</u>	<u>\$ -</u>	<u>\$ 3,452,528</u>	<u>\$ 3,516,627</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	9,364			9,364
Accrued Liabilities	5,417			5,417
Total Liabilities	14,781	-	-	14,781
Fund Balances:				
Reserved for:				
Permanent Funds			804,526	804,526
Unreserved:				
Undesignated, Reported in:				
Special Revenue Funds	49,318			49,318
Debt Service Funds		-		-
Permanent Funds			2,648,002	2,648,002
Total Fund Balances	49,318	-	3,452,528	3,501,846
Total Liabilities and Fund Balances	<u>\$ 64,099</u>	<u>\$ -</u>	<u>\$ 3,452,528</u>	<u>\$ 3,516,627</u>

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended June 30, 2009

							Total
				Special	Debt		Nonmajor
				Revenue	Service	Permanent	Governmental
				Funds	Funds	Funds	Funds
REVENUES							
Intergovernmental				\$ 275,864	\$	\$	\$ 275,864
Charges for Services				28,002			28,002
Interest				817	1	214,528	215,346
Miscellaneous Revenue				18,170			18,170
Total Revenues				322,853	1	214,528	537,382
EXPENDITURES							
General Government						5,717	5,717
Protection to Persons and Property				111,995			111,995
Recreation and Culture				809,406			809,406
Roads				204,425			204,425
Debt Service				13,545	846,861		860,406
Total Expenditures				1,139,371	846,861	5,717	1,991,949
Excess (Deficiency) of Revenues Over							
over Expenditures Before Other							
Financing Sources (Uses)				(816,518)	(846,860)	208,811	(1,454,567)
Other Financing Sources (Uses)							
Transfers In				830,793	846,861		1,677,654
Transfers Out				(57,586)	(287)	(129,215)	(187,088)
Total Other Financing Sources (Uses)				773,207	846,574	(129,215)	1,490,566
Net Change in Fund Balances				(43,311)	(286)	79,596	35,999
Fund Balances - Beginning				92,629	286	3,372,932	3,465,847
Fund Balance - Ending				\$ 49,318	\$ -	\$ 3,452,528	\$ 3,501,846

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2009

	Local				
	Government				Total
	Economic	Federal	Emergency		Nonmajor
	Assistance	Grants	Shelter	Library	Special Revenue
	Fund	Fund	Fund	Fund	Funds
ASSETS					
Cash and Cash Equivalents	\$ 4	\$	\$ 98	\$ 43,392	\$ 43,494
Prepays				6,338	6,338
Accounts Receivable		14,267			14,267
Total Assets	4	14,267	98	49,730	64,099
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable		5,400		3,964	9,364
Accrued Liabilities				5,417	5,417
Total Liabilities	-	5,400	-	9,381	14,781
Fund Balances:					
Unreserved:					
Undesignated, Reported in:					
Special Revenue Funds	4	8,867	98	40,349	49,318
Total Fund Balances	4	8,867	98	40,349	49,318
Total Liabilities and Fund Balances	\$ 4	\$ 14,267	\$ 98	\$ 49,730	\$ 64,099

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

For The Year Ended June 30, 2009

				Local				
				Government				Total
				Economic	Federal	Emergency		Nonmajor
				Assistance	Grants	Shelter	Library	Special Revenue
				Fund	Fund	Fund	Fund	Funds
REVENUES								
Intergovernmental				\$ 129,769	\$ 71,853	\$	\$ 74,242	\$ 275,864
Charges for Services							28,002	28,002
Interest				637		4	176	817
Miscellaneous Revenue						13,609	4,561	18,170
Total Revenues				130,406	71,853	13,613	106,981	322,853
EXPENDITURES								
Protection to Persons and Property					111,995			111,995
Recreation and Culture							809,406	809,406
Roads				204,425				204,425
Debt Service						13,545		13,545
Total Expenditures				204,425	111,995	13,545	809,406	1,139,371
Excess (Deficiency) of Revenues Over								
over Expenditures Before Other								
Financing Sources (Uses)				(74,019)	(40,142)	68	(702,425)	(816,518)
Other Financing Sources (Uses)								
Transfers In					106,595		724,198	830,793
Transfers Out					(57,586)			(57,586)
Total Other Financing Sources (Uses)				-	49,009	-	724,198	773,207
Net Change in Fund Balances								
				(74,019)	8,867	68	21,773	(43,311)
Fund Balances - Beginning (Restated)				74,023	-	30	18,576	92,629
Fund Balance - Ending				\$ 4	\$ 8,867	\$ 98	\$ 40,349	\$ 49,318

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
COMBINING BALANCE SHEET - NONMAJOR DEBT SERVICE FUNDS

June 30, 2009

	Hardin		
	County		Total
	Building	Debt	Nonmajor
	Commission	Service	Debt Service
	Fund	Fund	Funds
ASSETS			
Cash and Cash Equivalents	\$	\$	\$
Total Assets	-	-	-
FUND BALANCES			
Unreserved			
Total Fund Balances	\$	\$	\$

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR DEBT SERVICE FUNDS

For The Year Ended June 30, 2009

				Hardin		
				County		Total
				Building	Debt	Nonmajor
				Commission	Service	Debt Service
				Fund	Fund	Funds
REVENUES						
Investment Earnings				\$ 1	\$	\$ 1
Total Revenues				1	-	1
EXPENDITURES						
Debt Service					846,861	846,861
Total Expenditures				-	846,861	846,861
Excess (Deficiency) of Revenues Over over Expenditures Before Other						
Financing Sources (Uses)				1	(846,861)	(846,860)
Other Financing Sources (Uses)						
Transfers In					846,861	846,861
Transfers Out				(287)		(287)
Total Other Financing Sources (Uses)				(287)	846,861	846,574
Net Change in Fund Balances				(286)	-	(286)
Fund Balances - Beginning				286		286
Fund Balance - Ending				\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS

June 30, 2009

							Total
					Pauline Walker	Pauline Walker	Nonmajor
			Fife	& Powell Duff	& Powell Duff	Library Trust	Permanent
			Fund	Fund	Library Trust		Funds
ASSETS							
Investments			\$ 2,443,200	\$ 917,677	\$ 91,651		\$ 3,452,528
Total Assets			2,443,200	917,677	91,651		3,452,528
FUND BALANCES							
Reserved for Permanent Funds			270,000	459,526	75,000		804,526
Unreserved:							
Undesignated, Reported in:							
Permanent Funds			2,173,200	458,151	16,651		2,648,002
Total Fund Balances			\$ 2,443,200	\$ 917,677	\$ 91,651		\$ 3,452,528

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR PERMANENT FUNDS

For The Year Ended June 30, 2009

						Total
				Pauline Walker	Pauline Walker	Nonmajor
		Fife	& Powell Duff	& Powell Duff	Library Trust	Permanent
		Fund	Fund	Fund	Fund	Funds
REVENUES						
Interest		\$ 151,726	\$ 54,092	\$ 8,710		\$ 214,528
Total Revenues		151,726	54,092	8,710		214,528
EXPENDITURES						
General Government		5,474	232	11		5,717
Total Expenditures		5,474	232	11		5,717
Excess (Deficiency) of Revenues Over over Expenditures Before Other Financing Sources (Uses)		146,252	53,860	8,699		208,811
Other Financing Sources (Uses)						
Transfers Out		(87,740)	(37,277)	(4,198)		(129,215)
Total Other Financing Sources (Uses)		(87,740)	(37,277)	(4,198)		(129,215)
Net Change in Fund Balances		58,512	16,583	4,501		79,596
Fund Balances - Beginning		2,384,688	901,094	87,150		3,372,932
Fund Balance - Ending		\$ 2,443,200	\$ 917,677	\$ 91,651		\$ 3,452,528

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2009

HARDIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>Institute of Museum and Library Services</u>		
Passed-Through State Department of Libraries and Archives		
Grants to States		
Fitness In Today's Teens Grant		
(CFDA #45.310)	FY09043F05	\$ 4,463
<u>U.S. Department of Homeland Security</u>		
Passed Through State Department Of Military Affairs:		
Disaster Grants - Public Assistance		
(CFDA # 97.036)	*** FEMA 1818 DR KY	414,346
Emergency Management Performance Grant		
(CFDA #97.042)		34,806
Homeland Security Grant Program		
(CFDA #97.067)		57,586
Total U.S. Department of Homeland Security		<u>506,738</u>
Total Expenditures of Federal Awards		<u>\$ 511,201</u>

*** Tested as Major Program

HARDIN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2009

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hardin County, Kentucky and is presented in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

Honorable Harry L. Berry, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Hardin County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 21, 2010 wherein we made reference to the reports of other auditors. The Hardin Memorial Hospital, a blended component unit, and the Hardin County Planning and Development Commission, a discretely presented component unit, were tested for compliance and other matters and internal control requirements in accordance with Government Auditing Standards by other auditors, whose reports were furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hardin County Fiscal Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of management, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized flourish at the end.

Crit Luallen
Auditor of Public Accounts

April 21, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

Honorable Harry L. Berry, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Hardin County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Hardin County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hardin County's management. Our responsibility is to express an opinion on Hardin County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hardin County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hardin County's compliance with those requirements.

In our opinion, Hardin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Hardin County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hardin County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hardin County's internal control over compliance.



Report On Compliance with Requirements Applicable To Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2009-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program, will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a material weakness.

The Hardin County Judge/Executive's response to the finding identified in our audit is included in the schedule of findings and questioned costs. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

April 21, 2010

HARDIN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2009

**HARDIN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County.
2. No significant deficiencies relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Hardin County were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal awards program is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards program for Hardin County expresses an unqualified opinion.
6. There is one audit finding relative to the major federal awards program for Hardin County reported in Part C of this schedule.
7. The program tested as major programs was: Disaster Grants-Public Assistance (Presidentially Declared Disasters (CFDA# 97.036)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Hardin County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT**

FINDING 2009-01: Hardin County Fiscal Court Should Strengthen Internal Controls Over Monitoring Of OMB Circular A-133 Compliance Requirements - Activities Allowed/Allowable Costs

Federal Program: CFDA 97.036

Federal Agency: U.S. Department of Homeland Security

Pass-through Agency: Department of Military Affairs

Compliance Area: Activities Allowed/Allowable Costs

Amount of Questioned Costs: \$566

HARDIN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2009
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT (CONTINUED)

FINDING 2009-01: Hardin County Fiscal Court Should Strengthen Internal Controls Over Monitoring Of OMB Circular A-133 Compliance Requirements - Activities Allowed/Allowable Costs (Continued)

During testing of internal controls we noted no documentation of monitoring of Activities Allowed/Allowable Costs which was being handled by the various employees of Hardin County. The County Treasurer verified a small number of expenditures which were paid by check by the County. However, the bulk of the expenditures charged to FEMA did not undergo a verification or approval process prior to payment. OMB Circular A-133 requires internal controls be established over compliance requirements that are material to the major program. The weakness in oversight led to the following errors noted during testing of compliance. Three temporary employees were paid for one week that was not worked. The employees had the erroneous payment deducted from the following paycheck. While the County's controls did catch the error in time to correct it by the next pay period, stronger checks and balances could have prevented the need for corrective action. Also we noted that amounts charged for force account labor overtime were computed incorrectly and one employee charged force account equipment for 2 different trucks at the same time for a combined total of \$566.

We recommend the Fiscal Court require internal controls for monitoring OMB Circular A-133 requirements be established and documented to reduce the risk of material non-compliance with OMB Circular A-133 compliance requirements.

Judge/Executive's Response: The County does have internal controls in place and working effectively or the item noted concerning pay for temporary workers would not have been caught in a timely manner by the County and immediately corrected on the very next payroll. Additionally, with literally thousands of transactions, an occasional clerical error will occur that even internal controls and checks and balances will not catch – perfection is impossible. This is the case in the same employee's name being reflected on two trucks on the same day within an equipment utilization spreadsheet used to track work effort during response efforts to a major disaster. We believe the County has demonstrated adequate controls are in place. The "questionable costs" cited for this issue is \$566 - a very insignificant amount as compared to the total FEMA - Ice Storm claim by the County.

Auditor's Reply: The number of transactions tested as part of the audit was relatively small and yet we found exceptions in this small sample because the County did not add controls when the ice storm and FEMA requirements placed additional burdens on the already fully loaded accounting department.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

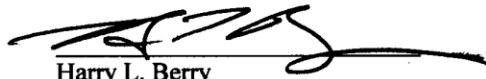
HARDIN COUNTY FISCAL COURT


**For The Fiscal Year Ended
June 30, 2009**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
HARDIN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Hardin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Harry L. Berry
Hardin County Judge/Executive


Carolyn K. Ritchie
Hardin County Treasurer

